

New Entrants to Farming

New Entrants News Spring 2022



National Advice Hub

T: 0300 323 0161

E: advice@fas.scot

W: www.fas.scot

Welcome to the Spring edition of New Entrants News. By the time you read this we will have marked the 2nd anniversary of the first Covid-19 lockdown, with the last of the legal restrictions set to be lifted in April, but over the last two years, the world has changed significantly. In the last edition, I commented on the spiralling wholesale gas prices leading to rapid increases in fertiliser costs. Since then there has been no let up, with the war in Ukraine and increasing sanctions against Russia by the West only fuelling further rises. Land values have also increased over the past year, especially here in Scotland due to limited supply and increased demand. But there are still plenty of opportunities and some of them are highlighted in this edition. While this turbulence poses significant challenges, the innovation and ingenuity of new entrants to agriculture will provide them with the resilience to survive and build stronger businesses. Testament to this are the three inspirational stories recently highlighted in our recent video case studies – Isla Murray, Zander Hughes, and David & Gillian Morton of Morton's Milk (see later for more details).

The Scottish Government recently set out their vision for agriculture from 2025. Whilst this will provide a range of challenges to new entrants, there will also be several opportunities as they wish to enable more new and young entrants to enter the industry. But there is a sense of fear and confusion surrounding some of the available schemes, which was echoed in discussions on carbon and net zero in agriculture Anna Sellars, had with groups of young farmers at the SAYFC Agri and Rural Affairs Conference in December, which is summarised in this edition. One aspect that causes fear and confusion is tree planting which is often seen as a major competitor for land by new entrants. Guest contributor, Lyn White from Scottish Forestry, gives an overview of the Integrated Trees Network (ITN) and highlights how trees can fit into any business regardless of scale. There is also an overview of AECS for new entrants to dispel some of the common myths.

Next month sees changes to the way VAT returns are submitted with Making Tax Digital (MTD) being rolled out to all VAT registered businesses. A summary of the key action points is provided in this edition. Also in this edition is an update and signposts to the array of new resources to support and inspire new entrants which are now available online and some exciting developments for 2022.



Opportunities for new entrants in the face of rising land costs

Driven by limited supply and increased demand, once again farmland values in Scotland rose during 2021. Growing numbers of forestry, lifestyle, and Environmental, Social and Governance (ESG) buyers are entering the market for carbon capture or rewilding opportunities adding to the competition with farmers and crofters. Agricultural land values can be highly variable depending on productive capacity, soil type, location, previous land management, and opportunities for diversification or renewables. Arable land values increased by over 20% from £5,800/acre in 2020 to £7,500/acre in 2021 on average but peaked at £19,500/acre in East Lothian, while rough grazing or hill land suitable for trees fetched between £2,500/acre and £5,500 per acre. Farmland unsuitable for forestry planting ranged from £200/acre to £2,000/acre. It is predicted that the supply of land will increase over the next few years, because of changing agricultural policies and landowners seeking early retirement and to capitalise on the strong market. However, at the same time the demand from forestry and ESG buyers is expected to increase. Whilst this may mean that the ultimate dream of owning your own land is on hold or not an option, there are several other opportunities available to enter the agricultural industry. Alternatives to land ownership include seasonal lets, tenancies, and joint ventures. In crofting areas, sub-letting of crofts is also possible.

Seasonal lets

These are short term lets not exceeding 364 days. Included in this category are grass lets for grazing or mowing that usually cover the period of 1st May to 31st October. It is also possible to rent land for growing cereals or vegetables under seasonal lets.

Tenancies

There are three main types of tenancies available Short Limited Duration Tenancies (SLDTs), Modern Limited Duration Tenancies (MLDTs) and 1991 act tenancies. SLDTs last no more than 5 years, whilst MLDTs are for a minimum of 10 years but there is a clause that means new entrants may break the tenancy after 5 years. Since 28th February 2021, it has been possible for tenant farmers with 1991 act tenancies to relinquish their tenancy to new entrants or progressing farmers. Upon taking on a relinquished 1991 act tenancy, new entrants accept the same rent terms as the previous occupier held. Further details on relinquishment and assignation of tenancies can be found in the webinar recording and factsheet detailed later.

As a guide some rental values can be found in the Farm Management Handbook (<https://www.fas.scot/publication/fmh2022/>) but these are highly variable and can be influenced by location, farm type, duration of tenancy, facilities, and farm size. These opportunities are highly sought after, so competition can be fierce.

Joint ventures

Joint ventures are a form of co-operation between two or more parties formed in a legal manner. To be successful the right mix of people, good communication, trust, and the use of an independent adviser are essential.

Contract farming

In contract farming the landowner engages the services of a contractor to undertake farming operations over a fixed period, usually 3 – 5 years on pre-arranged terms. In return for the provision of labour, machinery (including incurred costs), and management expertise contractors receive a set fee quarterly or annually. Livestock can also be contract farmed under a hire agreement.

Share farming

In share farming two independent businesses work on the same plot of land and share the output from the farm. There is no standard form of agreement or fixed duration, and it is possible to start with a small share and build this over time.

Business equity partnerships

Multiple investors can work together in a business equity partnership to form a company that pools the capital, skills, and resources of the investors to generate higher investment growth. The company can then identify investment options such as purchasing land, machinery, or livestock. The type of investor influences the type of agreement in place, but there are several different formats possible.

Where to look for opportunities

Many opportunities are advertised in the local newspapers and more commonly online. Social media platforms are increasingly becoming valuable tools to match new entrants with land, so keep an eye on land agent pages and many of the agricultural groups and forums. Registering with a land agent or agricultural consultant and letting them know what you are looking for is advisable too, as they will be able to alert you to any suitable opportunities in the area, some of which may not be openly advertised. Don't forget local councils, Scottish Water, Forestry Land and Scotland, and some churches often have pockets of agricultural land that are let out on seasonal lets or short duration tenancies. The Scottish Land Matching Service (SLMS) (<https://slms.scot/>) advertises joint venture opportunities and allows new entrants to post adverts detailing what they are interested in if no immediate matches are available. SLMS can facilitate introductions and discussions between matches on the database and act as an excellent source of support as the venture grows.

Further information on buying agricultural land, tenancies, seasonal lets and joint ventures is available on the New Entrant pages of the FAS website (<https://www.fas.scot/rural-business/new-entrants/>).

Young farmers thoughts on carbon and net zero in agriculture

In this article Anna Sellars, senior rural business consultant shares her thoughts on discussions on carbon and net zero in agriculture with groups of young farmers at December's SAYFC Agri and Rural Affairs Conference.

In December, myself and SAC colleagues attended the SAYFC Agri and Rural Affairs Conference, as sponsors to the Five Star Awards as well as being invited to lead a couple of workshops with young farmers on carbon and net zero in agriculture.

I was really interested to go, to hear the thoughts of the next generations of farmers on what carbon will mean for them, and whether they see it as a threat or opportunity for their livelihoods. The conversation around the role of carbon in agriculture is taking off and there is a lot of talk about emerging markets and agriculture's potential to help reach environmental targets through landscape and resource management. However, in much of my day-to-day I speak with business owners and managers who tend to be a generation (or two) above the young farmers' demographic. It is largely this generation who are making key decisions which will affect the landscape (in the broader sense of the term) that young farmers, and young people, will have to navigate by the time 'net zero' becomes critical.

The workshops were a refreshing insight into what really matters to young people in agriculture, and the level of preparedness in the industry for future changes. Overwhelmingly, the groups saw carbon, in principle, as a major opportunity for the future of agriculture and their livelihoods. They were very keen to understand more about what these opportunities might offer and how to position their businesses to make best advantage of an emerging market. The workshop fell just a few weeks following COP26, which provided a spotlight on what role Scottish farming can play in supporting a net zero economy, including positivity around how Scotland's wealth of natural resources puts it in a good place to support this transition.

However, alongside this positivity there was also a fear about the impacts of other industries exploiting these growing carbon markets on agriculture, such as the increasing drive for afforestation pushing up agricultural land prices, and pricing more and more people, young and new entrants particularly, out of farming. There was also a sense of confusion around environmental policies which seem to favour both very intensive and very extensive farming systems simultaneously, polarising the sector and creating a grey middle ground.

When asked who they go to for reliable and trustworthy knowledge around carbon many felt there was a lack of clear information in the public space, with often conflicting messages between commercial and news sources and between the agricultural and mainstream sources. SRUC and SAC Consulting were noted as independent and trusted experts, and several across the groups had studied or were studying at SRUC. I took away from the discussions a strong sense of energy and enthusiasm around taking action on reducing emissions and new opportunities in carbon markets. But there was also a sense of frustration that the roadmap towards this was not yet clear – that the economic and policy infrastructure and level of technical knowledge was not yet ready to support agriculture’s transition. A few weeks into 2022, with the National Test Programme providing more detail on the type and direction of support going forward, these conversations are developing. I hope that young and new entrant farmers will be a crucial part of these conversations, as both leaders and beneficiaries of a low-carbon future in agriculture.

Integrating trees network: a growing success

New entrants can often feel that trees are not appropriate for their system and are conflicted with large scale forestry pushing up land values which they cannot compete with. In this article, guest contributor Lyn White from Scottish Forestry shares an insight into the Integrating Trees Network.

Farmers and crofters across Scotland have been sharing their experiences, warts, and all, about growing trees as part of their businesses. The Integrating Trees Network is a farmer and crofter-led initiative supported by Scottish Forestry and the Scottish Government. Its aim is to build up a strong network of farm woodland demonstration sites across Scotland, with the hosts showcasing how growing trees have boosted their business. Sharing experiences and hearing from those who are actually doing it is all part of the ever-growing Integrating Trees Network. The initiative has now run twelve virtual events.

Farming Networks

There are six farm woodland demonstration sites across Scotland, hosted by:

- Andrew Adamson of Messrs W Laird & Son, Netherurd Home Farm, Peeblesshire.
- The Imrie Family of Hillhead Farm, Torrance.
- Andrew and Debbie Duffus, Mains of Auchriachan, Tomintoul.
- Andrew Whiteford, Burnfoot and Ulzieside Farm, Sanquhar,
- The Barbour family, Mains of Fincastle, Pitlochry; and
- The Lockett family, Knockbain Farm, Dingwall.

These fantastic farming hosts have shared their experiences and have produced a number of key practical messages for others who are thinking about growing trees. These are:

- use well known contractors - not always the cheapest but being recommended by others shows they know their job.
- you have to work with what’s on the ground, don’t try and change it too much or work against it.
- you can do the work yourself; you don’t need to rely on contractors. It can be a steep learning curve and there are challenges. It just takes time and planning, but there is support out there.
- understand your reasons for wanting to plant trees on your land and your business priorities.
- do your research: evaluate your land and monitor your farm to find out what areas are under performing for livestock but could still be suitable for planting trees.
- ask whether having trees on the farm will help diversify the nature of the business to become more adaptable, and in the future will it provide much needed shelter.
- create a habitat for wildlife: life’s pretty boring without wildlife!
- Get going now, I wish I had done what I’m doing now 10 years ago.

Crofting community

When the [Integrating Trees Network](#) was launched there was a fantastic response from the crofters too. The interest was so great that it soon became clear that there should be events run purely for crofters. There have now been two such events – [Tea and Trees for Crofters](#). The events were full of people, sharing their experiences and challenges of tree planting, asking advice, and even highlighting how the trees can provide benefits to bullocks and bees.

As the network has developed, more resources have been created to help land managers take that next step to planting trees on their land. Scottish Forestry can also put people in touch with organisations, such as the Woodland Trust's Croft Woodlands Project or for farmers, the Tweed Forum.

Helping tenant farmers grow trees for their business

Adding to these resources. Scottish Forestry is working with the [Scottish Tenant Farmers Association](#) to demonstrate how tree planting can benefit all farm businesses. As part of this work, a new [woodland creation case study](#) has been published, based around a tenanted farm. In the coming months we will be highlighting the case study as it's relevant to anyone looking to plant trees on their land.

Scottish Forestry has also highlighted new simplified [woodland creation guidance](#), [small farm loan scheme](#), and [FAS funding](#) to name but a few and most of all, having access to other farmers and crofters who can share their practical knowledge to those considering woodland creation on whatever scale.

These resources and more can all be found on the [Integrating Trees Network](#) website along with host farmer and farm details and their key messages to consider when planting trees.

Everyone is welcome to book onto these free virtual online events. This is a farmer and crofter-led network so please get in touch and let us know what topics you want us to discuss. Drop lyn.white@forestry.gov.scot or Hilary.Grant@gov.scot an email.

Demystifying Agri-Environment Climate Schemes (AECS) for New Entrants

The Agri-Environment Climate Scheme (AECS) promotes land management practices which protect and enhance Scotland's natural heritage, improve water quality, manage flood risk, support organic farming, and mitigate and adapt to climate change. It also helps improve public access and preserve historic sites. The 2022 round closes on Friday 29 April (standalone slurry storage applications can be made until Friday 24 June), but there will be annual application rounds until 2024.

If you are registered with RPID and have a Business Reference Number (BRN) with land in Scotland, then you can apply for AECS. Not all management or capital options or activities will be available to everyone, with spatial targeting used for some options to ensure they are delivered in areas where they will offer the greatest benefit. You can check the options available on your holding(s) using the targeting tool: [targeting.ruralpayments.org](#). Some options may only be available on certain holdings of your business, so it is advisable to check them all.

In addition to owned land, tenanted land is also eligible for AECS applications providing you can demonstrate a legal right to carry out the proposed management for the full five-year contract length and the five-year monitoring period from the date of final payment on capital items. If the tenancy doesn't cover the full duration, the landlord or main tenant takes responsibility for carrying out the management and capital for the remainder of the contract and associated monitoring. However, land that is leased for period of less than 365 days i.e. seasonal lets are not eligible. Tenants and official sub-tenants are advised to consult their landlord or main tenant to ensure that participating in AECS does not break the conditions of the tenancy. A signed landlord declaration, copy of the lease, or copy of the letter issued by the Crofting Commission should be submitted with an AECS application.

Many new entrants wrongly believe that the small scale of their holding prevents them from applying. Farms, small-holdings, and crofts under 30 hectares (excluding any rough grazing and non-arable common grazing shares) can be managed under the conservation management of small units options ([Conservation Management of Small Units \(ruralpayments.org\)](#)) which encourages small scale arable cropping and late

cutting of grassland to provide food and habitat for a range of wildlife. An additional payment is offered on top of the management and capital costs associated with the individual designated options (wild birdseed for farmland birds, forage brassica crops for farmland birds, unharvested conservation headlands for wildlife, retention of winter stubbles for wildlife, cropped machair, wader and wildlife mown grassland, corn buntings mown grassland, corncrake mown grassland, chough mown grassland and species-rich grassland management), to account for the increased costs associated with cropping on small units. Not all of the individual designation options will be available to all holdings, so you need to use the targeting tool to check. If your permanent land holding is 5 hectares or less (excluding rough grazing), you need to manage at least 0.5 hectares of your land under one of the options listed above but if your land is over 5 hectares (excluding rough grazing) then you need to manage at least one hectare split between two or more of the above options. Such units may also be eligible for the cattle management on small units option ([Cattle Management on Small Units \(Introduction / Retention\) \(ruralpayments.org\)](#)) which aims to introduce or continue to keep at least two (or up to 10) breeding female cattle of a Scottish traditional or native breed. First crosses of the eligible breeds (Aberdeen Angus, Ayrshire, Belted Galloway, Riggitt Galloway, White Galloway, Highland, Luing, Shetland, Shorthorn and Whitebred Shorthorn) may also be eligible under this option and it is assumed that each cow will benefit two hectares of land.

Scottish Government have set an ambition to double the amount of land under organic management, so farmers, crofters and land managers can apply through AECS for support for conversion to and maintenance of organic land. Organic conversion ([Organic Farming: Conversion \(ruralpayments.org\)](#)) is for farmers or crofters looking to convert land to organic status while Organic Maintenance ([Organic Farming: Maintenance \(ruralpayments.org\)](#)) is for land which is already registered as fully organic with a UK-approved organic certification body. Before submitting an organic conversion application it is necessary to have preliminary discussions and register with a UK-approved Organic Certification Body. A list of approved organic certification bodies in the UK can be found here: [Organic food: UK approved control bodies - GOV.UK \(www.gov.uk\)](#). This will ensure that you can understand the main requirements of converting your holding to organic management and the Organic Production Standards in terms of grassland management, crop rotation, stocking rates, and livestock and soil health.

All applications are scored using a pre-defined criteria ([Scoring criteria \(ruralpayments.org\)](#)) including scale of delivery, addressing national priorities such as protected nature sites, biodiversity, climate change or water environment; habitat linkage, long term benefit, value for money, and collaborative approach. Additional criteria exist for the scoring of slurry storage and organic conversion or maintenance applications. Only applications reaching the scoring threshold (unknown at application stage) will be successful in being awarded funding.

For all options it's best to read through the full scheme guidance ([Rural Development: Agri-Environment Climate Scheme full guidance \(ruralpayments.org\)](#)) and individual management and capital option guidance and supporting guidance to ensure you are fully compliant and using the correct templates and mapping. You will need to consult with the relevant bodies well in advance of the deadline too. If you have any queries you can access up to 30 minutes of free advice via the FAS advice line by calling 0300 323 0161 or emailing advice@fas.scot.



Making Tax Digital (MTD) for all VAT-registered businesses

Since April 2019, VAT-registered business with a turnover above the VAT threshold (currently £85,000) have been required to keep VAT records digitally and send returns using Making Tax Digital (MTD) compatible software.

From April 2022, these requirements will apply to all VAT-registered businesses, including those with a turnover below the VAT threshold.

There are two types of MTD compatible software:

1. VAT record keeping software

This allows you to update and store all your VAT records digitally and works directly with HMRC systems. Using these software products reduces errors and administration time, while making it easier to get tax right.

2. Bridging software

This works with spreadsheets, accounting systems, and other digital bookkeeping products to send and receive VAT information.

A range of MTD compatible software of either type exist on the market, with various pricing plans depending on the size and complexity of your business, degree of digital capability, and type of functionality required from the software. Some products are even free (with varying conditions of use). Most businesses will be able to claim any costs for hardware and software against their tax, therefore offsetting some of the additional costs. A list of all the MTD compatible software recognised by HMRC is available here: [Find software for Making Tax Digital for VAT - Find software for Making Tax Digital for VAT - GOV.UK](#) where you can filter depending on the features you require. It is best to speak to your accountant or advisor to select the best product to fit your requirements.

You can sign up for MTD at [VAT record keeping: Sign up for Making Tax Digital for VAT - GOV.UK \(www.gov.uk\)](#) where you will need your Government Gateway user ID and password, VAT registration number and business email address. Additional information may be required depending on the type of business (sole trader, limited company, or partnership) you operate. It is advisable to register in plenty time in advance of your next VAT return to avoid missing deadlines and double payments. It is also possible for an agent to register to submit VAT returns on your behalf, so speak to your accountant or advisor to get this set up.

New Resources

Since our last edition, we have produced a suite of new material specifically for new entrants which is summarised below.

Webinar recording & factsheet

In November 2021, we held a webinar on Relinquishment & Assignment of Tenancies webinar recording featuring Dr Bob McIntosh, Hamish Lean, Tom Oates, and Ian Craig to give a greater understanding of the opportunities there are in relinquishment and assignment of tenancies for new entrants and how to make an agreement a success. The recording of this webinar is now available at: <https://youtu.be/sOc0bBhA9U0> and the associated factsheet which summarises the key points can be found here: <https://www.fas.scot/downloads/relinquishment-and-assignment-of-agricultural-tenancies-factsheet/>.

Podcast

Trudi Cueto from Carfrae Farm discusses their diversification journey with Calum Johnston and hear more about the wide range of public activities they host on farm in this podcast: <https://www.fas.scot/publication/capitalising-on-assets-carfrae-farm/>

Factsheet

Since 4th October 2021, all cattle births, deaths, and movements in Scotland must be recorded with ScotEID using ScotMoves+ which replaced BCMS. As a reminder of the protocol for cattle record keeping and to update you on all the changes associated with ScotMoves+, we have produced a cattle record keeping factsheet. <https://www.fas.scot/publication/cattle-record-keeping/>.

Videos

As a new entrant there can be what feels like an endless amount of paperwork and many acronyms to understand, to demystify some of these forms and provide a summary of what you need to do and by when check out the New Entrant's guide to forms and paperwork video: <https://www.youtube.com/watch?v=d2bA-kZiWOc>. **Remember the key deadlines of 4th April for the transfer of entitlements (PF23) and 16th May for submitting the SAF (aka IACS).**

With lambing in full swing or just about to start up and down the country, Malcolm MacDonald provides his top tips for pre-lambing nutrition in this short video: <https://youtu.be/DvChMBrzaH8> while Fiona Thomson provides an overview of key post-lambing procedures including navel dipping, castration, tailing and tagging in this video: <https://youtu.be/n1u-eSDhkH8>.

As fertiliser prices reach record highs, it's never been more important to understand the level of nutrients that are already present in your soil as this drives grass and crop production, which in turn influences livestock performance. You can assess soil nutrient levels by taking a soil sample and in this short video Hazel Laughton shows you how to do it and what you need. <https://youtu.be/MGGpA6ZJOW>.

Once you have your soil analysis results, you need to interpret them and determine what nutrients are required and how much fertiliser (organic or inorganic) needs to be applied. Nutrient budgeting ensures that you only apply what the crop needs to avoid wasting nutrients and money, while making sure grass and crops reach optimum yields. Hazel Laughton explains how to interpret soil analysis reports and what role nutrients play in maintaining good soil health in this video <https://youtu.be/O6-0VlsoxDU>.

Look out for more of these videos over the course of this year.

The final three **QUICK TIP** videos are now live:

- Top tips on Record keeping https://youtu.be/pJ_G4f0Xz_o Hazel Laughton shares her top tips for record keeping which can be used with the cattle (see above) and sheep (<https://www.fas.scot/publication/sheep-record-keeping-factsheet/>) record keeping factsheets to ensure you are compliant with all the rules and regulations.
- Top tips on Budgeting <https://youtu.be/TKhydoHlv1E> With spiralling input costs budgeting has never been more important, in this video Robert Ramsay shares his top tips for success.
- Top tips for Resilience featuring Doug Avery <https://youtu.be/WAqZxAV-7AU> This topic is particularly pertinent for the challenging times we currently face.

If you missed any of the **QUICK TIP** series, they are all available on the website [Quick Tips | Helping farmers in Scotland | Farm Advisory Service \(fas.scot\)](#).

Inspirational Stories

Another three videos featuring new entrants sharing their inspirational journeys into the industry have been released.

- Seventeen-year-old Isla Murray from the Isle of Lewis, a new entrant sub-letting a six-acre croft for her 25 Scottish Blackface ewe flock along with other seasonal grazing lets <https://youtu.be/BUBzM8o8lwU>.
- In February 2020, David and Gillian Morton opened Morton's Milk, a milk vending machine to sell fresh milk from their 320 Holstein cow herd at Auchinbay Farm in Ayrshire. <https://youtu.be/FnsoCmnWOq0>.
- Zander Hughes shares his journey into the arable sector via a starter farm after being an agronomist and now building a contracting business. <https://youtu.be/kVFekWYw1So>.

A return to local group meetings

After a two-year hiatus due to the Covid-19 pandemic and with restrictions easing, we hope to return to local face-to-face group meetings in 2022. There will be six groups located throughout the country for you to join, so please get in touch with your local group facilitator (see map for locations and contact details) to register an interest and ensure you are kept in the know when they re-launch.

