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AGRICULTURAL UPDATE

September 2016

Rent Reviews – Have you noticed?

With the continued volatility in both agricultural input and output prices, there are a considerable number of rent reviews that remain outstanding. There may also be parties who did not serve a notice last year and are now considering whether to do so in preparation for September next year.

We can help with all aspects of rent reviews whether it is for a traditional Agricultural Holdings Act (AHA) tenancy or a Farm Business Tenancy (FBT). Agricultural tenancy rent reviews are highly technical and legislative regimes differ between AHA and FBT tenancies.

The best place to start for any review is with the production of a comprehensive farm budget. The agricultural team at Moore Allen & Innocent has a wealth of experience to help you with this. We are also able to provide comparable rental evidence from our extensive local knowledge of the rental market.

For professional and objective advice from budgets through to conducting negotiations or even arbitration, we can help. For further information or for an informal discussion, contact a member of the agricultural team on 01285 648 107.

Potential New Greening Requirements for 2017

The European Commission are currently reviewing the Basic Payment Scheme greening requirements for 2017 onwards. The three main direct payment regulations of Crop Diversification, Ecological Focus Areas (EFA) and the Maintenance of Permanent Grassland will remain, however, it appears that fifteen new proposals are being considered within these three elements to “simplify” greening calculations. There are four proposals which, if implemented, could affect certain farming systems and the compliance of greening requirements for next year.

The proposed changes are:

- A compulsory ban on the use of pesticides on EFA nitrogen fixing crops.
- Increasing the minimum period for EFA fallow from the current six month period to nine months.
- Increasing the minimum duration for an EFA catch or cover crop to be in the ground, to ten weeks.
- Increasing the minimum width of an EFA buffer strip from 1 metre to 2 metres.

When the Basic Payment Scheme commenced in 2015, it had been suggested that EFA equivalent area requirements could be increased from 5% to 7% for 2017. At this stage the European Commission have not included this within their proposals.

With the 2016 harvest drawing to a close, most farmers will now be committing to next year’s cropping. Should you require any assistance in your greening calculations for 2017 or if you require further advice on the proposed greening changes, then please contact Anthony Wright on 01285 648106.

€ 150m Milk Production Reduction Scheme

Further details have emerged of the new **voluntary milk reduction scheme** which was recently announced by the EU and which we understand will be open to eligible UK dairy farmers with effect from **September 11th**.

It is believed that the scheme will provide payments of c. 12 p per litre of milk production foregone in a particular 'reference period' relative to milk production in 2015.

There will be 4 reference periods although funding via the scheme is understood to be on a first come, first served basis. This is dependant on the popularity of the scheme and might mean that there are no funds left to be allocated beyond the initial October to December reference period.

For example, a member of the scheme producing 250,000 litres of milk between say, October and December 2015 whose production reduces over the same three months in 2016 to 150,000 litres, could receive a payment of £12,000.

The maximum reduction eligible for payment will be 50% of the previous years production, and the minimum claim will be for 3,000 Kg, (c. 2,900 litres).

The scheme is 'competitive', meaning that eligible volumes and payments will be scaled back if the scheme is oversubscribed. It is unclear as to whether the scheme will be available to producers already planning on exiting the industry (in any case only farmers producing milk in July 2016 will be eligible to apply).

Precise details of the scheme, together with application forms, will be available from the RPA very shortly. The deadline for applications for a reduction in milk production between October and December is September 21st.

Therefore, if dairy farmers feel that they would like to apply to the scheme, it would be wise to have the details of historic milk production as well as production forecasts for their preferred reference period readily to hand, so as to be able to move quickly when required.

Once the selected reference period is completed, applicants will need to verify claims via submission of milk statements. Further details and application forms will be available from the RPA or please contact Paul Oughton for further assistance.

Treasury Announcement

We are expecting various developments concerning Common Agricultural Policy reform over the next few months as Parliament returns from the summer recess and Brexit talks begin in earnest. For some clients, especially those considering entry into the Countryside Stewardship (CS) scheme by this September, a confirmation on funding cannot come soon enough.

We have already had one statement from the Treasury on 16th August which has begun to outline the position. The statement confirmed that *“All Rural Development Programme projects, including agri-environment agreements, signed before the Autumn Statement, will be fully funded, even when these continue beyond the UK's departure from the EU.”* The key word is before. According to Natural England's timetable, if a CS application meets the requirements, offers of an Agreement will be sent out at the beginning of November. The date of the Autumn Statement has yet to be announced but in recent years, it has varied between late November and early December. Therefore, it appears that there will be a short period from receiving an offer, to signing the document so that the agreement is in place prior to the Autumn Statement. This avoids the risk that agreements signed after that date will not be honoured. Farmer's representatives are understandably lobbying DEFRA to clarify the position before this date is reached.

The statement further addressed the short term position on the Basic Payment Scheme confirming that the Government will also match the current level of agricultural funding until 2020. This does provide a degree of certainty for all those taking on land, negotiating rent reviews or purchasing entitlements this Michaelmas.

The Agricultural Department is well placed to advise on the latest developments concerning all aspects of rural funding.

For further advice please contact one of our agricultural team: Robert Young, Mark Hill, Christopher Graham, Paul Oughton, Brian Smith, Peter Kirby, Stuart Milsom, Margaret Bush, Amy Herring, Hannah Brown, Hollie Byrne and Anthony Wright

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