New Entrants and Young Farmers Start-Up Grant Schemes

Evaluation

This paper aims to evaluate the New Entrants and Young Farmers Start-Up Grant schemes as part of the Scottish Rural Development Programme 2014-2022.

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Executive Summary

What are we trying to achieve?

Scottish Government are concerned about an ageing farming population and a lack of new farmers entering the industry. According to the June 2021 Agricultural Census, 60% of female and 64% of male farmers in Scotland are over 55 years old.[1] The Scottish Government set up The Young Farmers Start-Up Grant Scheme and the New Entrants Start-Up Grant Scheme as part of the Scottish Rural Development Programme 2014-2020. This is an evaluation of these schemes to consider if they contributed to achieving their intended aim to attract a new generation of farmers in agriculture.[2]

What are the schemes?

The Young Farmers Start-Up Grant Scheme and the New Entrants Start-Up Grant Scheme provided eligible applicants with grants of up to €70,000 and €15,000 respectively.[3] The intention has been to support new entrants into the industry. The Young Farmers Start-Up Grant Scheme had a budget of £10.8 million, or €13.0 million and has delivered 205 grants. The New Entrants Start-Up Grant had a budget of £0.8 million, or €0.9 million, and delivered 49 grants. The fourth and final round of applications closed in September 2017, followed by the confirmed closure of the schemes in 2018.

Were the Schemes Successful?

The schemes successfully supported 254 entrants into agriculture, which fulfils the New Entrants Start-Up Grant scheme goal of increasing the number of entrepreneurs who farm. However, it is less clear whether or not the schemes were successful in achieving the Young Farmers Start-Up Grant Scheme's goal of encouraging a new younger generation of farmers. While 205 of the 254 grants awarded were Young Farmer's Start Up Grants, and so it can be said that the scheme was successful in encouraging younger people to begin farming, the extent to which this constitutes a new generation of farmers and therefore a shift in the age

[1] Results from the Scottish Agricultural Census: June 2021 - gov.scot (www.gov.scot)
[2] This outline of the purpose of the scheme is from the scheme guidance, which can be accessed here for the YFSUG and here for the NESUG.
[3] While the precise amounts of funding were in Euros, these were paid in pounds. However, for ease and to avoid the complexity of currency fluctuations over time, Euros are referred to here. For reference, at current conversion rates: €70,000 = £59,604 and €15,000 = £12,772. These exchange rates are accurate as of August 2021.

composition of the industry is limited. This is simply a matter of scale. While 254 grants were awarded, there are 50,231 holdings in Scotland and approximately 20,000 farm businesses.[1] It is therefore difficult to argue that the overall age profile of farmers has shifted as a result of these schemes. It is important to note, however, that the schemes closed early due to the exhaustion of funds. The schemes were therefore popular amongst those interested in entering the farming sector and had further potential to encourage more new entrants had the funds not been exhausted.

In addition, these findings offer moderate evidence that prospective farmers struggle to obtain land and strong evidence that, when they do, tend to struggle to make a profit (see Chapter 4 for further discussion). The schemes were therefore unsuccessful in their shared goals of encouraging entrepreneurs who farm to develop profitable, innovative businesses which can respond to the industry's changing economic environment. It seems that the systematic challenges of land availability and profitability will make it unlikely that start-up schemes will be successful in their goals of encouraging new, younger entrepreneurs to build profitable and innovative farming businesses. However, given that the schemes closed in 2018, it may be too soon to accurately determine whether these new farm businesses supported by the grants will be profitable.

Why is it Challenging to start a new farm?

Research has consistently observed that alongside gaining access to capital, the most pressing barrier facing new entrants to farming in Europe is a lack of available farmland with which to develop a business. This also appears to be the case in Scotland, where agricultural land for both purchase and rent are relatively scarce, and demand continues to outstrip supply.[4] UK estate agency Strutt and Parker identified that in 2019, the number of farms marketed was the lowest it had been in 5 years, although still in line with the 5-year rolling average of 102 farms.[5] Relative to the 50,231 agricultural holdings in Scotland, this indicates that a 1% change in the ownership of these farms would take approximately five years. Demand has remained consistent over the past 5 years and continues to outweigh supply. This imbalance of supply and demand means that land values and rent rates remain out of line with potential agricultural returns. Indeed, Strutt and Parker identified that arable land prices in the UK have increased by 268% over the last 20 years, and that in their experience, approximately 90% of farms sold for around or above asking price, with only two bidders required to drive prices. Outside money and existing established farm businesses are therefore able to outbid new entrants for available land opportunities.

[4] Land access a key barrier for new entrants to farming | The James Hutton Institute
[5] Scotland-Farm-Review-2019_WEB.pdf (struttandparker.com)

Research indicates that there are limited incentives for large landowners to sell their land, alongside considerable competition for the limited available land from investors, other farmers and non-farmers seeking alternative lifestyles. At the same time, the availability of tenancies has declined.

What did the Survey indicate about the schemes?

To learn more about the experiences of new entrants and young farmers, a short online survey of grant recipients was carried out. This had a final sample of 67, equal to 26% of the total population that received grants. The survey sample did not include those who were unsuccessful in their grant application, or the wider farming community. Of those who responded to the survey, 51% received the New Entrants Start-Up Grant (n = 34) and 49% received the Young Farmers Start-Up Grant (n = 33). The survey identified two clear findings. The first was that the availability of land remains a challenge for some entrants, although a requirement of the New Entrants Start-Up Grant was that applicants must already have land. Over 65% of the respondents rented all or some of their land, and 39% farmed land that had previously been owned by a member of their family.

The second was that, irrespective of land access, the enterprises in question faced considerable challenges related to productivity. Livestock was part of the primary enterprises of 69% (sheep) and 62% (cattle) of the sample. Profitability was a challenge for 52% of the respondents, with 88% citing improving profitability as a high priority. Over half – 51% of the farms made an annual average income under £10,000. Including subsidies, 36% did not make a profit, while this was the case for 75% when subsides are removed. It is important to note, however, that farms in general are rarely profitable without additional support from government payments and subsidies. While the respondents of this survey did indicate that profitability was a considerable challenge, this challenge is not unique to either new entrants to farming or young farmers who received grants[6].

What is Current Policy?

Current policy activity proceeds via the Government’s Farming Opportunities for New Entrants (FONE) working group, which oversees work to develop new opportunities for tenant farmers. In the period since 2016, FONE has facilitated 107 land opportunities over almost 7,000 hectares to 70 new entrants and was also instrumental in identifying the potential for a Land Matching Service to develop opportunities for new entrants and expanding farming businesses, while

[6] Farm Business Survey 2018-2019: profitability of Scottish farming - gov.scot (www.gov.scot)

simultaneously developing options for established farmers and crofters to reduce their input whilst retaining an active business interest. FONE activities are ongoing.[7]

1 Policy Context

1.1 Background and Context

The Young Farmers Start-Up Grant (YFSUG) and New Entrants Start-Up Grant (NESUG) provide funding to farmers who were either under 41 or early in their agricultural business development, respectively. The over-arching goal of encouraging new and young people into the farming sector was to sustain the economic basis of farming and help to retain people in rural communities, via the development of agricultural production on small or recently established agricultural businesses.

There were two schemes.

- The YFSUG is aimed at those who are starting an agricultural business for the first time or who are taking over an existing agricultural business. This grant is worth €70,000.
- The NESUG is aimed at those who started their agricultural business in the last 12 months. This grant is worth €15,000.

For YFSUG, at the time of submitting their application:

- Must be between the age of 16 years and under 41 years of age at the point of application
- Must be setting up as head of the holding of a new or existing farming business for the first time
- Must have a suitable formal agricultural qualification (at least to national vocational qualification level 2 or equivalent) or be able to demonstrate at least five years' agricultural experience
- Must have registered your business with Scottish Government

For NESUG, at the time of applying, they must be:

[7] Farming opportunities for new entrants (FONE) - gov.scot (www.gov.scot)

- Must be over 16 years of age; there is no upper age limit
- Must be within a year of starting your agricultural business
- Must have a minimum of three hectares of land
- Must have registered the business with Scottish Government

Applications to the NESUG are dependent on applicants already having access to land.

The application process states that for both schemes:

> "Funding can be used to help with many of the costs associated with starting up an agricultural business. This could include purchasing land, equipment, machinery or livestock, or constructing buildings or infrastructure."

Grants are twofold – with the first instalment being made via a claim once arrangements have been made to purchase start-up materials and the second being provided once the 'milestones' from the business plan have been achieved.

In terms of how land is accessed, it is emphasised that preference was given in to non-succession cases, in the event of demand exceeding available grants.

These eligibility criteria will have, by definition, prevented some people from applying for the grants, and so some potential applicants will have been excluded as a result.

1.2 How many Applicants Have Been Supported?

A total of 626 applications were made to the Young Farmers Start-Up Grant scheme. Of these, 205 were accepted (acceptance rate = 33%). A total of 128 applications were made to the New Entrants Start Up Grant scheme. Of these, 49 were accepted (acceptance rate = 38%). Funding closed to new applicants during 2017 owing to the exhaustion of available funds. The total budget allocated to the schemes during this time was £10.8 million (€13.0 million) for YFSUG, and £0.8 million (€0.9 million) for NESUG.

1.3 Current Policy Context

At present, there are no plans to reintroduce farming start-up grants. However, the Scottish National Party's 2021 Election Manifesto committed to "provide more support for new and young entrants into farming, including a specific new entrants fund”. Further information is likely to be announced during this Parliamentary term. As already noted, the following direct financial support remains available:

- The National Reserve Young Farmer category, which is expected to continue through to 2024 providing young farmers the opportunity to receive an allocation of payment entitlements under the Basic Payment Scheme;

- The Young Farmer Payment is also expected to continue through to 2024 providing young farmers a top-up to their Basic Payment Scheme;

The Scottish Government continues to implement a programme of measures to help generational renewal in the agricultural sector. At the forefront, and following the success of the Forestry and Land Scotland starter farm programme between 2012 and 2015, an independent group was established by the Scottish Government to maximise starter opportunities on all publicly owned land. The 2016 report showed the steps all public bodies who possess land can take to open up farming to a new generation. Importantly, it also highlighted the value of a co-ordinated approach and as a result the Scottish Government put in place the Farming Opportunities for New Entrants group. So far, FONE has helped 70 new entrants into the agricultural sector by providing 107 opportunities over mainly 7,000 hectares of publicly owned land. Under FONE, the basic remit is to provide a business opportunity to a new entrant that will, typically, generate a part-time income and allow for second incomes needed.

The Scottish Government also funds the Scottish Land Matching Service. The SLMS acts as a free service connecting those in the agricultural sector throughout Scotland. It engages with those seeking or offering joint venture arrangements in relation to land and facilitates discussions with a view to parties progressing to successful arrangements. By doing so, it provides a platform for opportunities for the next generation of farmers and forms part of an exit strategy for farmers wishing to take a gradual or complete step back from farming.

The Scottish Government’s National Reserve (Young Farmers and New Entrant) provision can also provide farmers and crofters with the opportunity to receive an allocation of payment entitlements under the Basic Payment Scheme as well as the young farmer Basic Payment top-up.

Finally, practical support is available through the Scottish government’s Farm Advisory Service, which includes (i) a programme providing numerous activities to aid potential and aspiring new entrants at various stages in developing their business, and (ii) it also offers new entrants free support through its mentoring programme.

2 Literature Review

Box 1. Key Points

The dearth of younger farmers and the challenges that this will bring for the sector has been recognised in Scottish and EU policy discourse. This reflects concern with the high average age of farmers and the lack of new entrants to the sector.

In Scotland, 64% of male and 60% of female farmers are over 55 years old.

The key barrier to entering the farming market is access to land. This reflects both the demand exceeding supply, competition for plots, high land prices and may reflect the limited incentives older farmers have to sell their land.

Tenancy availability has also substantially declined over recent decades

European schemes to encourage generational renewal do not appear to be successful, which may reflect the sheer scale of the challenge.

2.1 What is the “Young Farmer Problem”?

The importance of generational renewal in farming and anxiety about what has been referred to as ‘the young farmer problem’ is a common feature of European agricultural policy discourse. It relates to two primary policy challenges. On the one hand, the farming sector is characterised by an aging workforce, and there is limited movement into the sector from younger generations. On the other hand, the complex range of barriers facing those seeking to enter farming that makes it challenging for policy makers to respond effectively to it. The high barriers to entry, in turn, are perceived to deter innovative and disruptive businesses and retain legacy enterprises which may be less likely to innovate.

The aging of the agricultural sector is a phenomenon in the UK as a whole, as well as the European Union, although more notable in the southern territories than in northern Europe. Writing in 2015, Zagata and Sutherland observe that every second farm in Europe is managed by a farmer who is over 55. In Scotland, the June 2021 Agricultural Census found that only 10% of male and 11% of female owner-occupiers were under 41. By contrast, 64% of male and 60% of female owner-occupiers were over 55. Matthews, writing in 2012, characterised the challenge as reflecting both reduced entry by new farmers and reduced retirement or exit by older farmers.

2.2 The Benefits of Generational Renewal

Overall, there is some evidence of benefits associated with younger farmers entering the sector. However, the strength of this evidence in a Scottish context is relatively limited. There has been considerable academic research on the relevance of youth in the farming sector. For example, to quote Zagata and Sutherland in their 2015 research:

> "…together with attitudes and beliefs, age related to views on sustainability…orientation towards sustainable and efficient agriculture…up-take of organic farming….and impacts on the welfare of animals kept on farms."

They further argue that, based on statistical comparison, young farmers' holdings in the EU tend to be larger, use more labour units and generate more value, alongside having higher productivity.

Evidence collected in the UK has found mixed results. A review of the Farm Business Survey in England found that productivity among the 35-45 age cohort was higher than older cohorts, but also higher than farmers under 35. In the Scottish context, it is difficult to disentangle the importance of 'youth' from other variables that influence farm productivity, including effective succession arrangements and better education.

2.3 Barriers to Entering Farming

Access to land has consistently been identified as a key barrier to entering farming, in both UK and European contexts. While it does not represent the only constraint on entering farming – for instance, farming may be increasingly perceived as an undesirable career choice – it represents a prominent and the most intractable constraint from a policy perspective and for this reason is elaborated upon here.

It is worth noting that high land prices or rental cost decrease the profitability of farming in a context where this is already an important challenge. The more that is paid for land, or is due as a regular payment of land, the greater the output of the farm will need to be in order to make a profit. In this way, land access impacts are not limited simply to the number of farms that can be obtained.

2.3.1 Land Prices

Data provided by the ONS, in response to a Freedom of Information request, observed that the total value of agricultural land in the UK rose in value by 462% between 1995 and 2016. While this represents an aggregated, UK wide increase, the fact that this value has increased fourfold in 21 years is indicative of increased values more broadly. Evidence indicates that arable land prices in Scotland have also increased in recent years. The estate agents Strutt and Parker observe that, between 2000 and 2017, arable land went from an average of £2,000 per acre to £7,000 per acre. Added to the high capital costs associated with setting up a farm, this may present an important barrier to new-entrants to farming.

As observed elsewhere, those seeking to purchase land on the open market also have to compete with those perceiving land as an investment opportunity. Writing in 2021, the estate agent Savills reported that, in the UK as a whole during 2020, 34% of the farms sold were bought by non-farmers and that existing farmers accounted for just about half of all purchasers with farm expansion the most common reason for buying new land. Indeed, the primary competition for young farmers and new entrants – i.e. existing farmers – are likely to have substantially better access to capital and borrowing than those without comparable security of tenure.

Finally, as a contemporary example of the impacts of policy on land prices, Strutt and Parker observe that, in relation to hill farms specifically, that the Scottish Government support to plant trees has resulted in a tripling of the value of hill land – which is suitable for afforestation – in recent years.

2.3.2 Limited Land Availability

Research conducted by the James Hutton Institute in 2017, commissioned by the European Parliament, undertook seven case studies across seven countries (including Scotland). This research worked with young farmers to identify the key barriers to entering the sector. Across all case studies, access to land was identified as the most important barrier to new entrants. The report observes the following factors that influence this:

- There is limited high quality land available for purchase or secure rental.
- The available land is too expensive.
- CAP direct payments increase the price of land and dis-incentivise land transfer.
- Concerns, particularly in Scotland, among land owners about the tenant ‘right to buy’.
- The fact that land has become an investment opportunity for national and international investors.

In Scotland, demand for land also considerably outstrips supply. According to Strutt and Parker, in late 2020, the five year rolling average of farms coming onto the market is 102. The rolling five year average of farm sales should provide some indication of the scale of the challenge of supporting new market entrants in the current context. Assuming this rate of purchases remained constant – and excluding tenancies for the time being - replacing 1% of the current farmers in Scotland – 518 holdings – would take slightly over five years.

Strutt and Parker also provide commentary on the pressures on supply, with reference to 2019:

“Notwithstanding this reduced interest, demand still exceeded supply. There were still many buyers looking to expand their businesses or reinvest roll–over capital during these tentative times. Borrowing is cheaper than ever and land remains seen as a good investment with values largely stable.”

They further observe that most farm purchases are undertaken by other farmers seeking to expand their holdings and achieve economies of scale. For additional context, it is worth noting that Scotland has a remarkably uneven distribution of land. Research from 2014 indicates that approximately 1,125 owners hold 70% of Scotland’s rural land. All things being equal, greater concentration of farmland is likely to lead to less farmland coming onto the market.

2.3.3 Decline in Tenancy Availability

Tenancy – whereby land is rented – offers a potential form of access to land that does not involve outright purchase. However, in terms of tenancy options, it was observed in 2014 that Scotland has among the lowest proportions of rented land in Europe, with only Ireland, Poland and Romania having a lower proportion. A Scottish Parliament Information Centre (SPICe) briefing from 2014 observes that there has been a long term decline in the availability of tenancies. Between 1913 and 1980, the number of rented or mainly rented holdings declined from 77% of all holdings to 31% in 1980 . As SPICe observe:

“By the 1980s, the supply of land available to rent as a secure tenancy had virtually dried up and despite various initiatives, this has remained the case. Very few new secure tenancies have been created over the last 30 years. Thus, the number and extent of secure 1991 tenancies continue to reduce.”

Figures from the June 2021 Agricultural Census indicate that this decline has continued, albeit at a slower rate (likely reflecting the lower base). From 2011 to 2021, the total area rented has fallen from 25% to 22%. Of the 15,283 rented holdings in 2021, 9,343 holdings contain crofts. It was also observed, in 2017 that since 2008 there has been an above-inflation increase in rents (47% or 30% after accounting for inflation), particularly on LFA land which has risen 62 per cent (44% in real terms).

The decline in tenanted land, according to SPICe, can be attributed to a combination of an increased tendency towards farm amalgamation and larger holdings, reflecting the emphasis of policy and subsidies on production, the subsidies which can make tenant rents, by comparison, less attractive than farm development, and the increasing reluctance of landowners to create new tenancies, given the increased security of tenure for tenants brought about in various pieces of legislation. A 2018 report from the James Hutton Institute (JHI) further observes that tenancies are "…increasingly being replaced by contract farming arrangements" and that uncertainty around a potential tenant's right to buy have also contributed to making tenancies less available, as noted above.

2.3.4 Succession

Finally, it is worth briefly touching on the challenges of succession, that further contribute to challenges of accessing land. As Matthews notes, the increasing life expectancies and the fact that older farmers – whose farm may be their home – have reduced opportunities to exit. As Hamilton et al demonstrate, while older farmers may have less income and profit, they also have less debt and concentrated assets. This, combined with an entitlement to subsidies, may result in limited incentives to exit the industry.

As JHI observe, research has consistently demonstrated that succession is the most common route into farming in Europe. Successors, furthermore, are the most likely to move into a successful business.

Reluctance to sell farmland reflects a myriad of factors, including both the emotional attachments experienced by owners and the valuable capital asset that the farm may represent. Further, owners may be reluctant to sell, as ongoing farm subsidies may contribute to funding the retirement of older farmers. As an absence of farms being sold on is likely to contribute to scarcity of available land, addressing succession going forward is likely to be an important policy area.

2.4 Do Schemes to Support New Entrants Work?

In the first instance, it is worth observing that, despite interest in generational renewal policy in the EU since the 1990s, there has been limited success in addressing this problem. In the EU, based on figures from 2018, young farmers represented only 6% of the agricultural community. As Matthews shows, the percentage of farmers under 35 has declined from over 10% in the period from 1990-2003. Conversely, this has fallen from 6.9% in 2005 to 6% in 2013. At the macro level, this is indicative of the challenges here. As Matthews observes further, the aging workforce is a phenomenon across the European economy as a whole, irrespective of sector. As observed above, it would take substantial time at present rates of farms entering the market to achieve even limited changes in the age composition to the sector.

3 Survey Research: Views of Grant Recipients

Box 2. Survey Summary

Methods
An online survey of scheme beneficiaries was e-mailed to grant recipients. Out of 254 potential respondents, our obtained survey sample was 67, equivalent to 26% of the population of those receiving start up grants. Of the 67 survey respondents, 51% received the New Entrants Start-Up Grant Scheme, and 49% received the Young Farmers Start-Up Grant.

Participant Background
Our sample was two-thirds male and more educated than the population at large. The sample largely reported previous farm experience; 54% of the sample grew up on a farm and 79% had either previously worked on a farm or managed a farm.

Land Access
The majority of respondents rented their land; 42% of the sample rented all of their land, and 23% rented at least some of their land. The survey found that 39% of the sample were farming land currently or previously owned by their family.

Farm Types
Livestock was the most common farming enterprise; 69% of the sample farmed sheep, while 62% farmed beef (participants could choose multiple options), while 8% had horticulture. The majority of the farms were small; 86% of the farms either employed no one or employed one person on a part-time basis, and 57% of the farms were under 50 hectares.

Views of Support
42% of the sample did not agree that it was easy to access information about available funding and support. The majority 63% had used the Farm Advisory Service. While 51% agreed that they found it easy to access appropriate training, 60% wanted more support for production going forward.

Financial Viability of Farms
19% of the sample reported that the likelihood they would managing their farm in five years time was neutral, unlikely or very unlikely.
Profitability was reported as the main challenge to business by 52% of the sample, and 88% regarded improving profitability as a high priority.
Most farms (51%) made an annual income under £10,000 per annum, with a further 24% making less than £20,000.
Excluding subsidies, 75% of farms in the sample did not make a profit, while 36% did not when subsidy was included. However, 57% believed their business would be more profitable next year.

3.1 Survey Methods

To learn more about the experience of new entrant farmers, a web based survey was sent to recipients of the two start-up grants. The survey was online between October 2020 and January 2021. There were 67 responses received to the survey. In a context of 254 awards overall, this represents 26% of the total population of grant recipients. The number of respondents was approximately evenly distributed between the New Entrants Start-Up Grant and Young Farmers Start- Up Grant, with 51% and 49% respondents each respectively. Therefore, of 49 successful new entrants awards, 34 responded to the survey, compared to 33 young farmers out of the 205 total. This equates to 69% and 16% response rates respectively. From this perspective, recipients of the Young Farmer Start-up Grant are comparatively under-represented in this survey. The survey sample did not include those whose grant applications were unsuccessful.

3.2 Participant Demographics

Looking at the respondents to the sample, 67% were male, compared to 31% female (and 2% who preferred not to say). The age distribution can be seen in Figure 1. The age was, unsurprisingly, younger than the average of age of the farming population more broadly. Overall, 82% of the respondents were aged between 30 and 49 at the time of completing the survey.

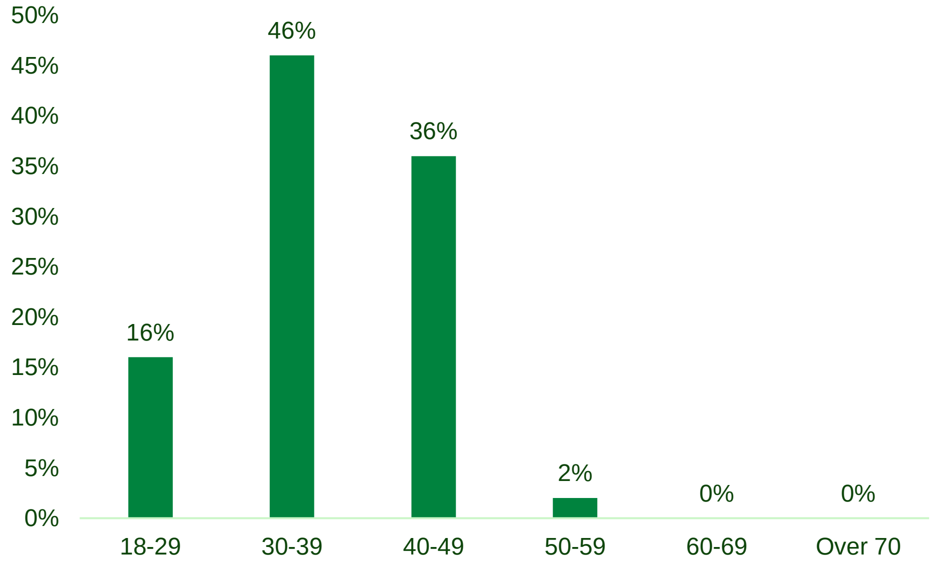

Figure 1. Age Distribution of Sample (n = 67)

Looking at when respondents had been awarded their grants, 46% had been awarded their grants in 2016, compared to 25% in 2017 and 22% in 2018, with 6% reporting ‘other’.

Slightly over a quarter of the farms in the sample were located in the Highland local authority. The geographical distribution of the sample can be seen in Figure 2. Aberdeenshire is the next most common, followed by the Orkney Islands. It is worth observing that these areas are typically characterised as 'less favoured areas', which indicates that the geography of the area is challenging for farming (and, in turn, receiving an additional subsidy on this basis).

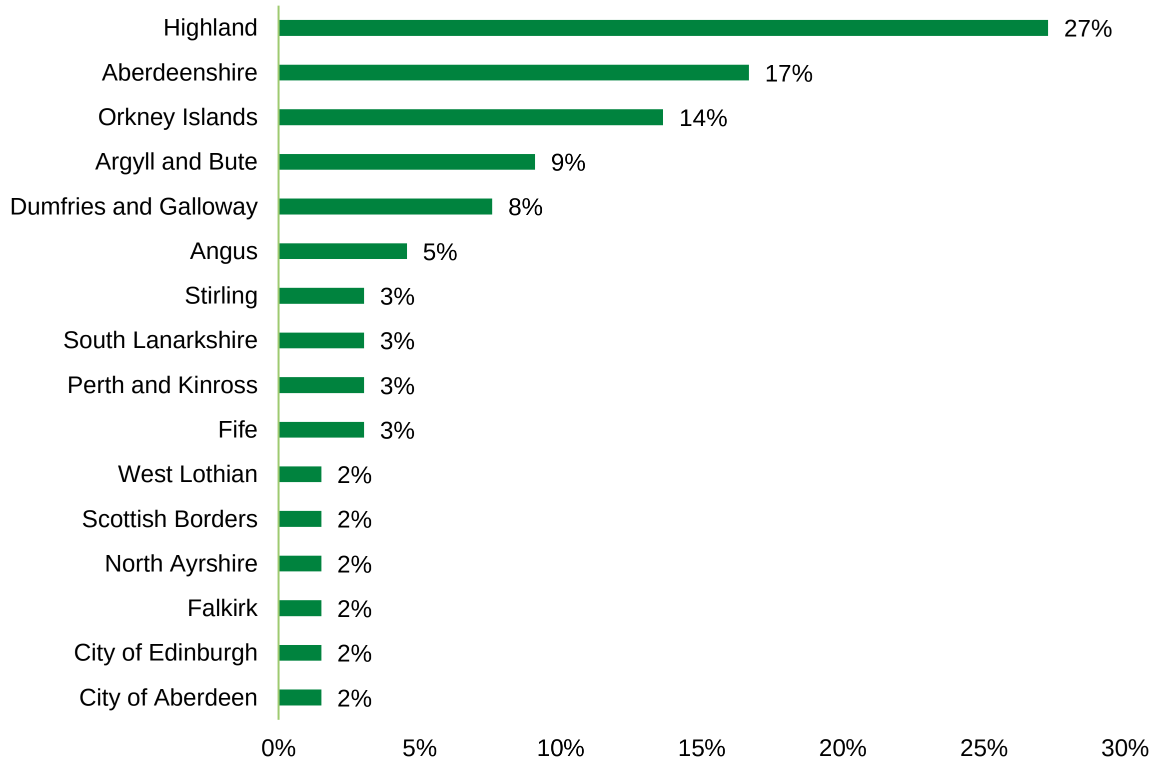

Figure 2. Local Authorities in which the farms were based (n = 66)

3.3 Participant Education Levels

In terms of the educational background of participants, 49% reported having Degrees or Professional Qualifications. According to the 2019 Scottish Household Survey, 32% of Scottish people held a degree or professional qualification, making our sample more educated than the population at large (see Figure 3).

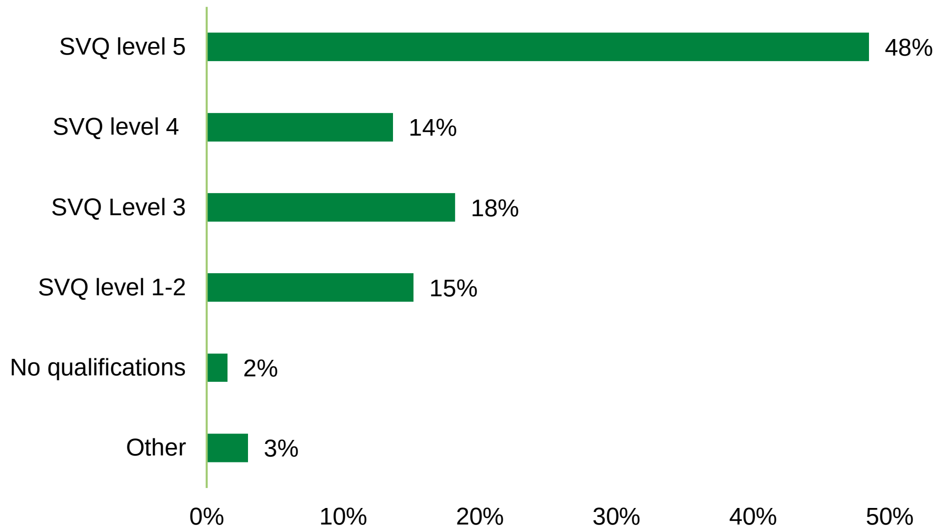

Figure 3. Educational level of sample by Scottish Vocational Qualifications (SVQs) level (n = 66)

We also asked whether the sample had received any specific qualifications concerned with agriculture. Of the 66 who responded, 30% had no specific agricultural qualifications. The most common qualification was in ‘Agriculture and Crofting’ – held by 50% of the sample – followed by qualifications in ‘Land based engineering’ and ‘Environmental science and conservation’, at 6% each. Finally, 5% reported qualifications in animal care and 3% reported qualifications in estate management.

3.4 Characterising the Sample: Background and Aspirations

In terms of the backgrounds of the sample, 54% of the sample said ‘Yes’ to the question ‘did you grow up on a farm?’, and 46% said no. A further, 72% had previously worked on a farm – with 8% previously managing a farm – while 21% had no prior experience. Based on cross-tabulations, approximately 18% of respondents lack any experience of either growing up on a farm or previously managing it. This supports the view found elsewhere in the literature that farming has a ‘family’ or ‘generational’ element to it.

We asked what the respondents’ primary goals in pursuing a farming career were. This is displayed in Figure 4. Because participants could tick multiple options, the percentages do not sum to 100%.

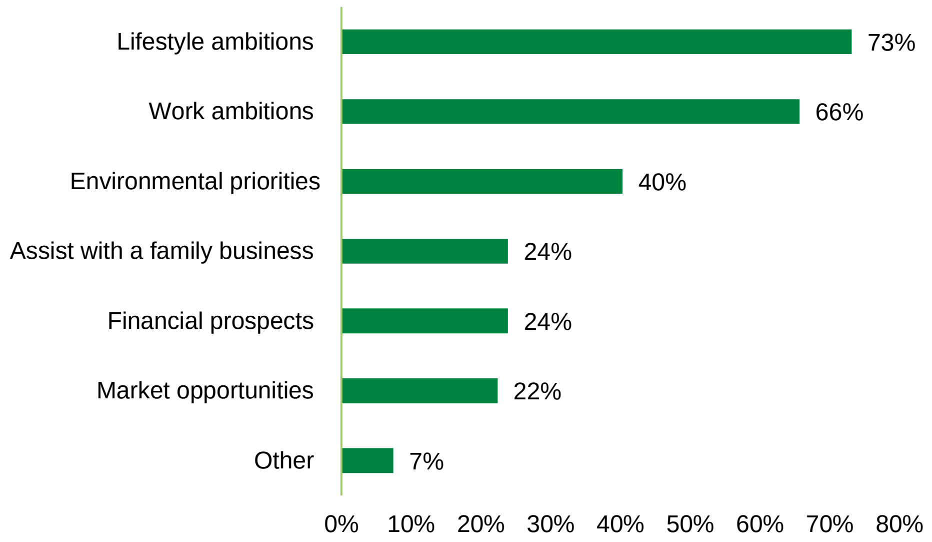

Figure 4. Aspirations of New Entrants/Young Farmers (n = 67)

As this demonstrates, the most popular goals were concerned with ambitions in terms of lifestyle and work. By comparison, while almost one in four were seeking to assist a family business, financial and market opportunities were only cited by a minority of participants. As this indicates, even among market entrants, the prospects associated with farming are not widely regarded as positive.

3.5 Access to Land

Given the observations above, access to land is a pressing challenge facing new entrants to farming. We asked the sample about their ownership situation. This indicated that 42% of the sample rented all of their land, with 23% renting at least some of their land. We also observed that, for 39% of the sample, they were farming land that had previously been owned by their family. Cross tabulations did not show a strong relationship between family ownership and current land ownership, however, but it is of interest that succession still appears to play an important role in supporting new entrants in this sample. Overall, the majority - 65% - of the sample did not own their farm outright.

3.6 Farming Enterprises

We asked participants to list their main farming enterprises, which is displayed in Figure 5. Please note that the question anticipated that participants would have more than one ‘main’ enterprise on their farm, so participants were able to tick multiple boxes in their response. As a result, the percentages do not sum to 100%.

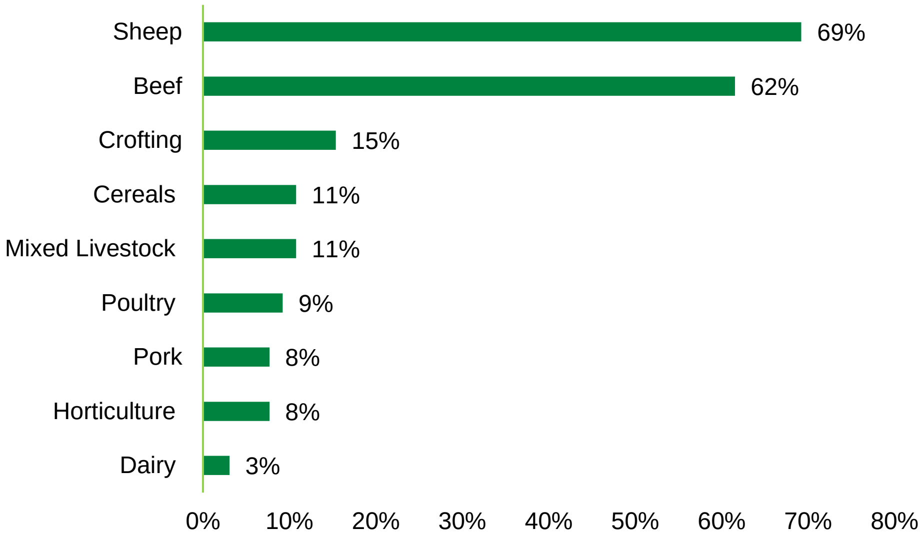

Figure 5. Main Farming Enterprises of Sample (n = 65)

As this demonstrates, the sample's enterprises were primarily focused on livestock, with sheep being the most common and beef the second most common. This is worth noting owing to the fact that, as observed in the Total Income from Farming 2017-19 report published in 2020[8], Less Favoured Area (LFA) sheep and beef farming, and lowlands beef and sheep farming frequently struggle with profitability, given the range of challenges these enterprises face.

Organic certification was low, with only 3% of the sample being currently in the process of becoming certified and none currently certified in this way. This may reflect the time it takes to achieve certification. Diversification was also observed in 25% of the sample, with renewable energy generation, 'other', accommodation and farm shops mentioned. However, this is actually substantially lower than the figure identified in the Total Income from Farming 2019-2019 report, which found that over half of farms had diversified.[9]

[8] Scottish Government (2020) Total Income from Farming Estimates: 2017-2019. Available here.

[9] Scottish farm business income: annual estimates 2017-2018 - gov.scot (www.gov.scot)

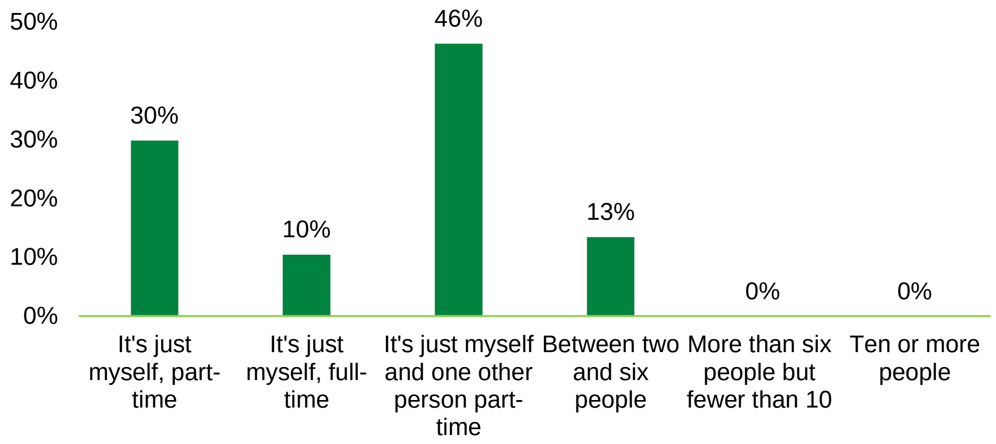

Figure 6. Employee Numbers on Farms in Sample (n = 67)

As this indicates, 86% of the farms either employed no one or employed one person on a part-time basis.

In term of farm size, the majority of the farms in the sample were under 50 hectares, but only narrowly, with 11-20 hectares as the second most common size-band.

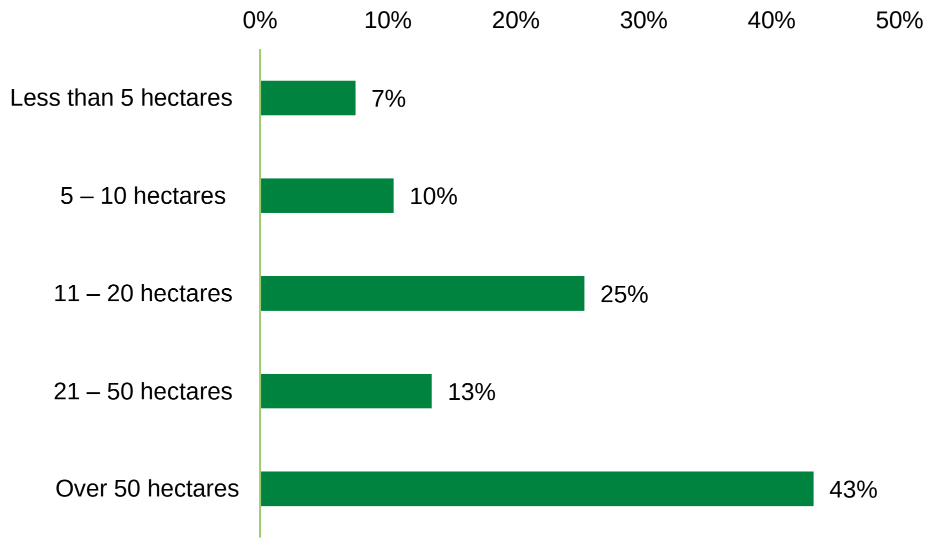

Figure 7. Farm Sizes in the Sample (n = 67)

3.7 Policy Support and Challenges

Slightly over one quarter of the respondents – 27% - disagreed that they found it easy to access the support and information they needed (6% of these strongly disagreed). Of those who agreed that it was easy to obtain this, 16% strongly agreed, while 42% somewhat agreed. When asked whether they found it easy to access training and information to improve practical farming abilities, only 51% of the sample agreed this was the case. 31% were neutral, with a further 18% disagreeing.

In terms of using the Farm Advisory Service, 37% of respondents reported using none of the available services, while 63% who used at least one. Of these, attending events was the most common activity, undertaken by 46% of the sample as a whole.

In terms of future prospects, the majority of participants – 67% - said it was ‘very likely’ they would be managing their farm business five years from now. A further 13% were ‘somewhat likely’, but almost 19% were either ‘neutral’ (12%), ‘somewhat unlikely’ (3%) or ‘very unlikely’ (5%). When asked about what future support would be valuable, the results are displayed in Figure 8:

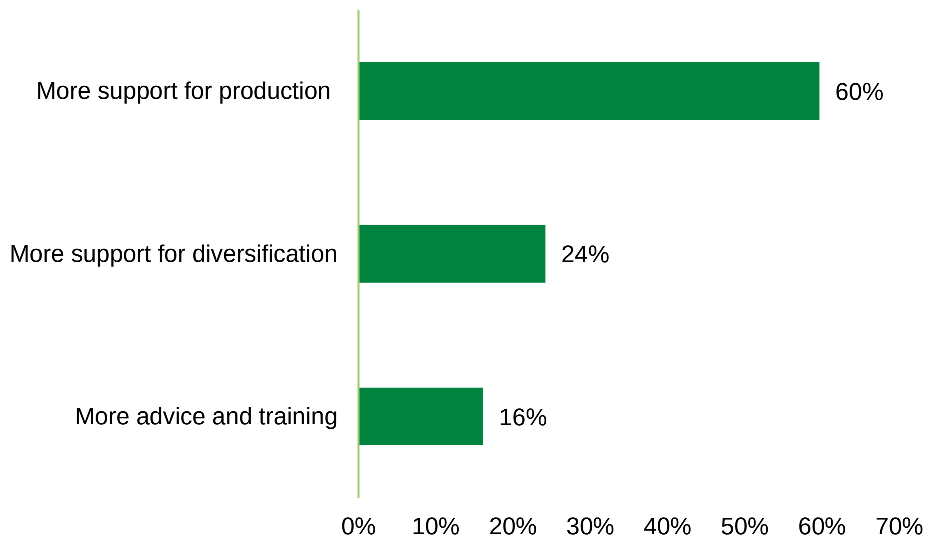

Figure 8. Responses to the question 'What sorts of support do you think would be helpful going forward?' (n = 62)

As this indicates, while there is support for additional work around advice and diversification, it is the perceived challenges of production that are most pertinent here. This is further reflected in the responses to our question regarding the biggest challenges facing the sample (see Figure 9).

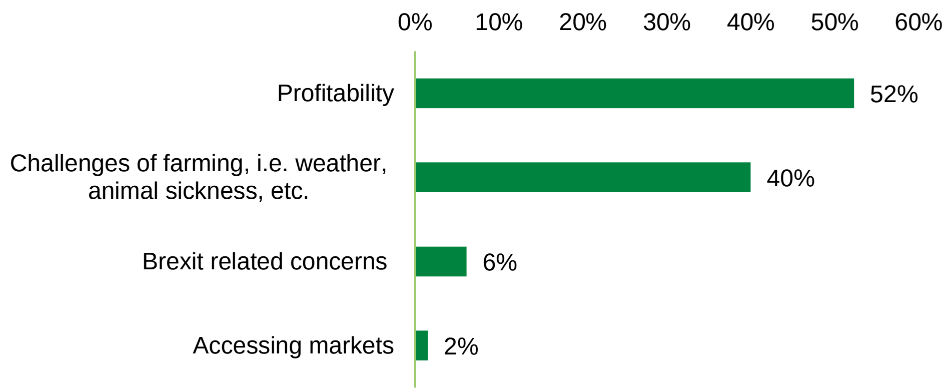

Figure 9. Main Challenges of Farming (n = 65)

Taken with the above emphasis on profitability as the key challenge facing the sample and the earlier observations about the challenges of profitability in livestock operations, we can hypothesise that the challenges of profitably producing food are highly pertinent here. This is further reflected in response to the ranking question on farming priorities (see Figures 10 and 11).

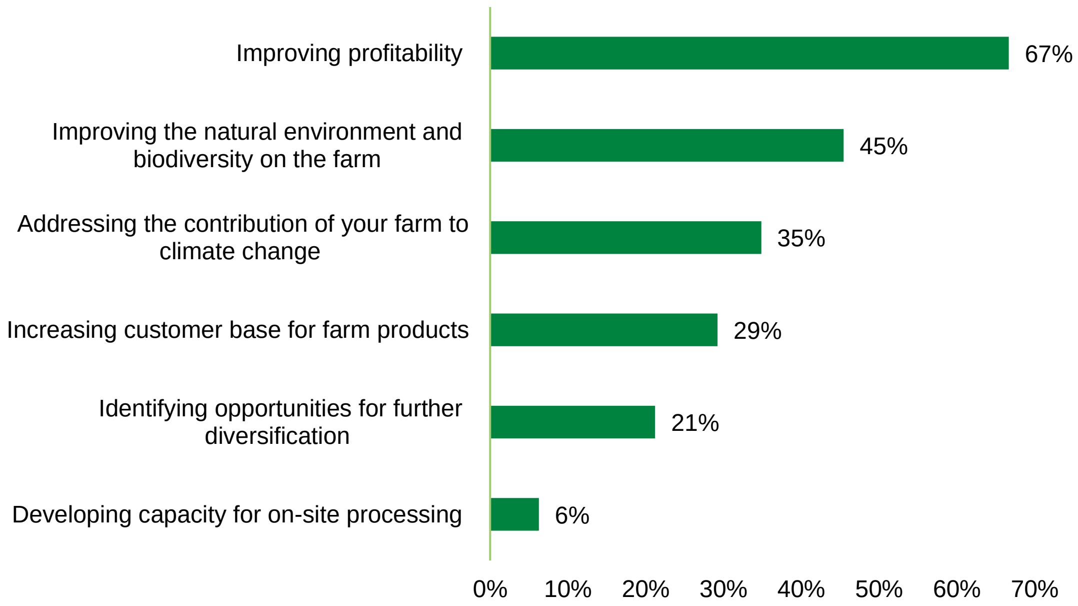

Figure 10. The 'very high' priority goals identified by the survey sample.

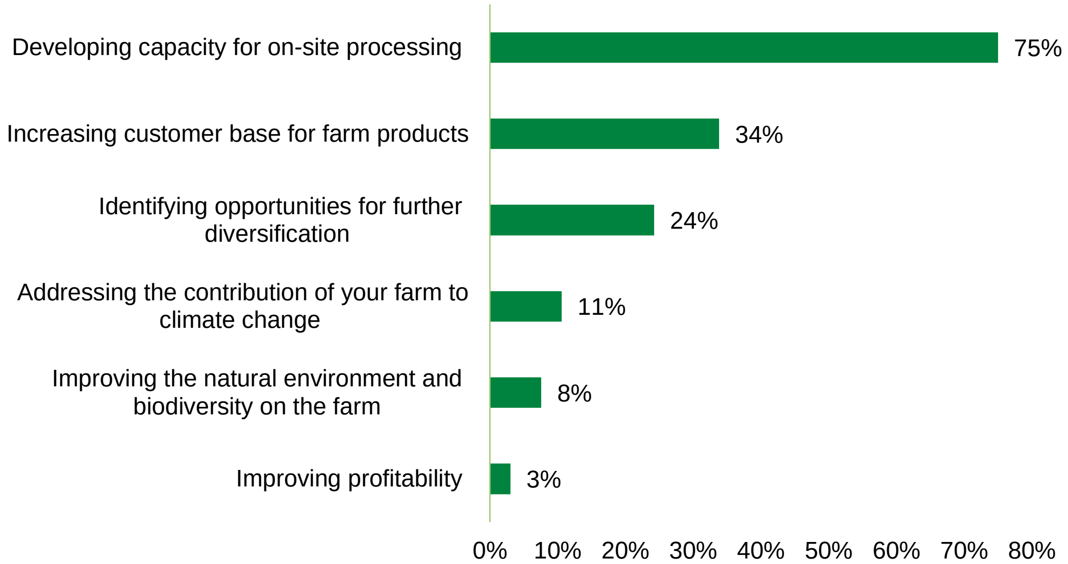

Figure 11. The 'low' or 'not a priority' goals identified by the survey sample.

3.8 Financial Viability of Farms

In terms of the viability of the farms, 93% reported receiving basic payments, and 70% received Less Favoured Area Support Scheme (LFASS) payments. While basic payments are common within the sector, approximately 11, 000 farmers receive LFASS payments. In terms of the income from farming, however, 51% of the farms made an annual average income that was lower than £10,000, with a further 24% making less than £20,000. This indicates that, for the majority, the farming is extremely financially challenging.

As above, profitability is a critical challenge. In our sample, 36% of farms did not make a profit, even including subsidy - 9% did not know - and, excluding subsidies, 75% of farms did not make a profit. However, it should be noted that 57% of the sample reported that they expected the farm to become more profitable. It may be the case that ample time has not passed to allow the farm businesses to become profitable.

To compare these figures to the current figures, the Farm Business Income 2017-18 report indicates that over 60 per cent of farms made a loss without subsidies (as compared to 75% in this sample). As below, 75% reported making less than £20, 000 in income.

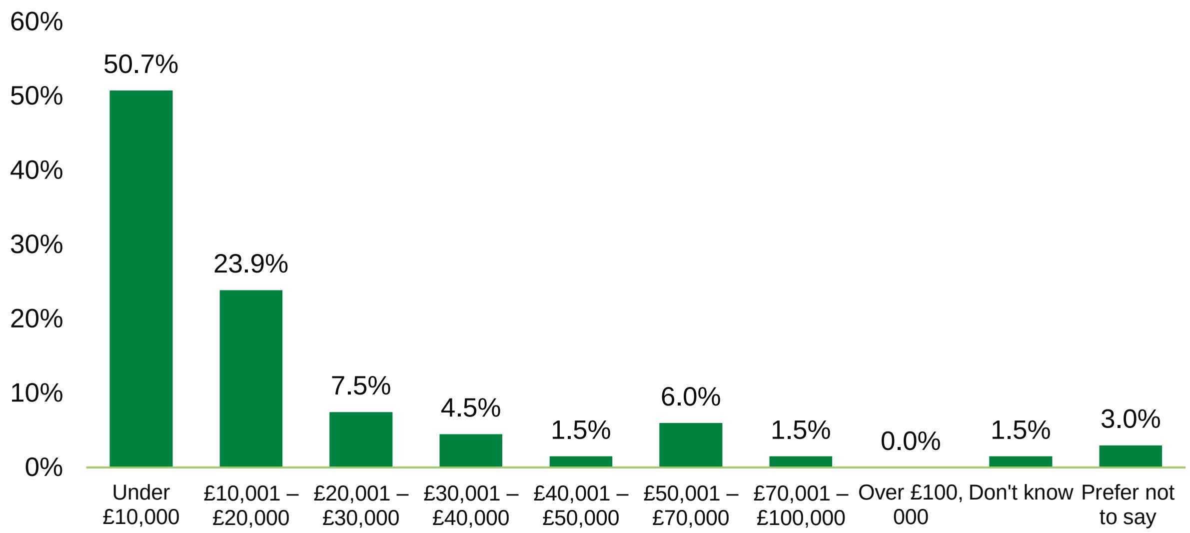

Figure 12. The average annual income of the survey sample in the most recent financial year (n = 67).

As this comparison shows, the sample incomes were lower than those reported here. However, they are comparable, and indicate broader challenges facing farm incomes in the sector as a whole. It is not at this stage possible to straightforwardly discern why this is the case – differential subsidy entitlements owing to different farm sizes may play a role – but it is notable that the experience of New Entrants may be more challenging than the overall population, but it is not dramatically distinct from it.

4 Discussion and Policy Implications

As this evaluation indicates, research has consistently found that access to farmland remains a central barrier to new entrants into this market. This reflects a combination of factors and the dynamics of the market, and appears to be comparable to the situation in various European countries. Moreover, evidence suggests that establishing a financially viable farm is also challenging.

4.1 Land Supply

In this sense, the next steps should be understood relative to how we define the problem we are trying to solve. If the problem is defined as ensuring that young farmers are able to purchase land and proceed in traditional farming practices, then future work must find an effective way to address the structural barriers confronting new farmers. In terms of policy, it is likely that the macro-economics of land price and availability cannot reasonably addressed through the funding of applicants at anything other than a very gradual pace. Similarly, it would be valuable to explore the extensive policy issues concerned with land reform in addressing these concerns.

An extensive review of options was published in 2018 by the Scottish Land Commission, which similarly sought to understand the potential policy responses to the land access barriers facing new entrants. This also provides an analysis of four options, including joint venture options, tax intervention to increase land supply, a land matching service – now adopted and supported by Scottish Government - and the development of business incubators. A review of the legal framework governing land ownership and the options for pursuing a more equitable distribution of land is outwith the scope of the work here. However, the research here indicates that the goals of new entrants policy may, in the future, be a downstream benefit of land reform policy.

4.2 Conclusion

Between the two schemes, the Scottish Government has supported 254 new farmers, albeit in a context where the available data indicates that many of these farms struggled to be profitable at the time of evaluation. The aims of the grants, therefore, were partially achieved. As this represents less than 1% of the total number of Scottish Agricultural holdings and approximately 1% of the total number of farm businesses, it has not led to a change in the overall composition of the farming sector.

The grants were very popular and over-subscribed, resulting in their premature closure. Setting a target for a total proportion of farmland to be managed by new entrants going forward could result in a budget more adequate to this extensive task. This evaluation suggests, however, that an increased budget for grants such as these will not be sufficient to address the issues that prevent generational renewal in the farming sector. The extensive structural constraints facing new entrants, from land availability to the profitability of the overall pursuit, means that these efforts are blowing against the prevailing economic winds.

This evaluation has not found evidence to support the continuation of the start-up grants, as they operated in the 2014-2020 SRDP, as a method of encouraging generational renewal in the farming sector. This is not to say that supporting new entrants could not have this effect under any circumstances, but simply that this iteration of the grants had limited scope to encourage meaningful change in the age composition of the farming sector within the timeframe of this evaluation given the considerable constraints of land availability and profitability.

4.3 Next Steps

As detailed above, the Scottish Government continues to support new entrants through the FONE group, and has, since 2016, has facilitated 107 land opportunities over almost 7,000 hectares to 70 new entrants, as well as supporting the development of a land matching service. These efforts are likely to continue going forward.

However, in the longer term, efforts to support new entrants into the farming sector could potentially benefit from further research in the direction of exploring mechanisms to increase the circulation of farmland, from the perspective of facilitating more farmland going onto the market and, as a result, attracting new farmers and businesses.

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