

Written evidence submitted by the Central Association of Agricultural Valuers (ELM0050)

SUBMISSION TO THE HOUSE OF COMMONS EFRA COMMITTEE

ADVICE FOR FARMERS AND LANDOWNERS IN THE 2020S:
A REVIEW OF SOME ISSUES

19TH MAY 2021

“... advice should be seen as an investment in the capacity of farmers and farms rather than a cost ...”

*Welsh Government
Sustainable Farming and our Land, Paragraph 1.48
Agriculture (Wales) White Paper, Paragraph 2.77*

CONTENTS

The Central Association of Agricultural Valuers (CAAV)

1. Overview
2. Who Offers Advice?
 - General
 - Specific
 - Organisational
 - Rounded
 - Facilitation
 - Reprise
3. Advice on Schemes
 - Advice For Whom?
 - Advice By Whom?
 - Advice on What?
 - On What Basis?
 - Thereafter?

Appendix – CAAV Examination Syllabus

Central Association of Agricultural Valuers (CAAV)

The CAAV is the UK-wide professional body representing, briefing, qualifying and regulating some 2900 professionals who advise and act on the very varied matters affecting rural and agricultural businesses and property throughout the United Kingdom. Fellows (FAAV) are qualified by practical, oral and written examination. The present syllabus is set out in the Appendix.

Instructed by a wide range of clients, including farmers, landowners, lenders, public authorities, conservation bodies, utility and infrastructure providers and other agricultural and rural businesses as well as other interests including government and environmental bodies, this work requires a deep understanding of practical issues. In our continually evolving world, the CAAV supports its member in that with a steady flow of publications, briefings, webinars and podcasts.

The CAAV does not exist to lobby on behalf of any particular interest, knowing that members will be called on to act for or advise both Government and competing private interests under developing policies. Its specialist committees include experienced members with a wide range of clients and work to give the fullest review of these issues.

With that background and need, the CAAV's public policy work seeks to ensure that policies are designed so that they can be implemented in as practical a way as possible, taking account of circumstances and so be effective, practical, with the least unfortunate, unintended or perverse side effects and enables sensible advice to be given on which clients can take decisions.

1. Overview – The Need for Advice

1.1 We foresee increasing pressures on farming and rural land management in the 2020s from economic challenge and change with the combination of changing agricultural policies and wider economic developments, new technologies, evolving markets, the force of climate change mitigation measures and other environmental policies. This is not simply a function of England's Agricultural Transition Plan. Looking at this as a generation's change to manage in this decade with both:

- the release of the pressures muffled by the area payments paid since 1993 and
- the measures taken to deliver net zero greenhouse gas emissions by 2050

the CAAV has explored some of these pressures and where they may lead in its recent discussion paper, [Future Rural Land Uses in the United Kingdom: A Review of Pressures and Opportunities](#).

1.2 Guiding farming through the resulting processes of economic and structural change will require specific, case by case, individual advice, facilitation, brokerage and assistance with implementation for which work agricultural valuers are well qualified. With a prospect that is larger than government, the outcomes will turn on the multitude of individual decisions by families and businesses as we move into a different and less standardised agricultural world. The need is to support them in managing change rather than being managed by it. The core question might be where, after review, they realistically hope to be in 10 years time and then helping them achieve that. If that prospect is seen as wearying or

19th May 2021

Advice for Farmers and Landowners in the 2020s: A Review of Issues

economically impossible, what are the best ways to handle that? If it is seen as unfolding opportunity, how is that best realised? How are both those parties interests best maximised?

1.3 That is the importance of the transition period in England with the horizon given for the removal of Basic Payment. That has given time for the flexible and progressive adaptation of businesses, with answers from improved efficiency in commodity farming, changing activities, finding ways to add or hold value, seeing the environment as an enterprise, the adoption of non-agricultural uses to generational change. They will also include withdrawal, entry, progression from and into the sector as the barrier to change posed by area payments is eroded and removed. This process will be mediated in the market place by changing values as costs come under pressure, structures change, new opportunities are found and new challenges emerge. This should not be seen as just a step change to a new state but a move to continuing change. Fundamentally for farming this relies on enabling access to the occupation and use of land for those who will make the best use of it.

1.4 Advice is critical to this process for individual farms and to the Government's objectives of increased productivity and environmental improvement. Creating the climate in which individual farmers and owners value, seek, take and act on advice would play a key part in this.

1.5 This is about managing change, not only in businesses and within families but also in culture to develop a proactive view of succession and future planning, promoting communication within families and with landlords and others, understanding, taking account of and using the possible options; this may be stimulated by external pressures. Much though will depend on advice and facilitation, to open discussions, develop them and then negotiate and implement decisions. This will be demanding of personal skills, imagination and practicality.

1.6 With the central identity of CAAV members as trusted advisers, capable of seeing the business as a whole, the role is to be able to "add value", offering a service worth paying for.

1.7 With the prospect of the last English Basic Payment application forms being made in 2023, before all remaining BPS payments are de-linked (and exhausted after 2027), this interacts with several aspects of current CAAV work in supporting members support their clients for this decade, including:

- the issues in reviewing the physical and financial performance and the future path for a business, with family, taxation, land tenure, development control and other concerns
- expertise in environmental and resource issues, including soils
- the less tangible areas of personal skills in facilitation and allied skills, including dispute avoidance and dispute resolution

with a succession of publications, conferences, workshops, webinar, podcasts and website briefings.

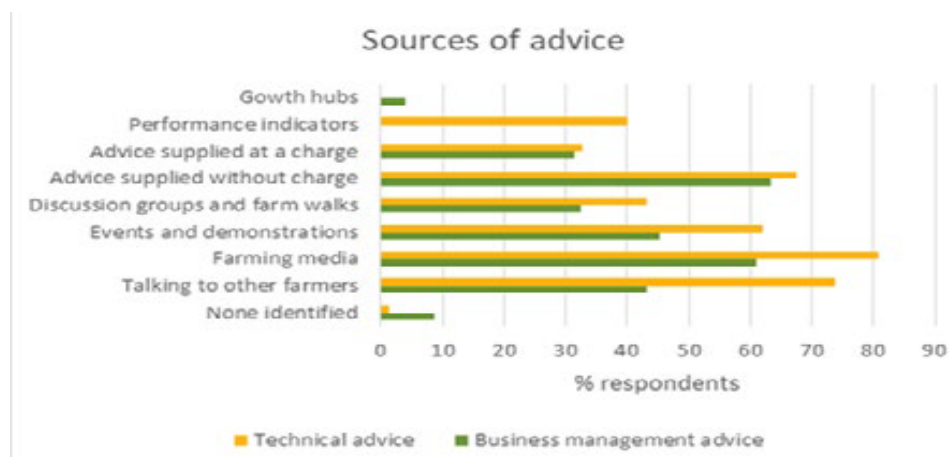
2. Who Offers Advice?

2.1 The word "advice" covers a very wide spectrum of concepts and is delivered and received at many levels. The Stacey Report on Farm Regulation and Inspection offered this

19th May 2021

Advice for Farmers and Landowners in the 2020s: A Review of Issues

chart, showing activity in technical advice as distinguished from business management advice, it appears that it might have had more specific than holistic business advice (as from a valuer, accountant or lawyer) in mind, and so overlooking much of what will actually be needed – and is currently given by CAAV Fellows alongside the more specific advice that they give on more particular points.



2.2 The advisory world can be described or analysed in several tiers, each with differing, sometimes overlapping, functions and all potentially in play in what is foreseen for the 2020s. These might be summarised as:

- general
- specific
- organisational
- rounded/holistic
- facilitation.

2.3 To give value, each such adviser must be trusted and relevant. Good and effective advice followed by understanding and implementation is the essential “ghost in the machine” for policy and economics to achieve the required transformation of farming businesses.

2.4 (a) **General Advice** – A wide variety of people come into contact with farmers and owners, from feed merchants, vets and auctioneers to agricultural valuers, accountants and lawyers. Even those encountering farmers more casually can be supportive of the critical, if intangible, element in this of enabling and sustaining an openness of conversation and discussion within farming families about these issues, such that they are seen as acceptable and even positive.

2.5 The farming unions, the CLA and TFA are also sources of general advice as well as more specific advice in some cases.

2.6 (b) **Specific Advice** – There are many specialist advisers available to farmers with vets, agronomists, animal nutritionists, ecologists, planning consultants and others all of whom can be called on to give skilled advice on their speciality.

2.7 Indeed, in practice many agricultural valuers typically provide just such specific services, whether drawn in to act in a rent review, prepare a business agreement or lease,

19th May 2021

Advice for Farmers and Landowners in the 2020s: A Review of Issues

undertake a stocktaking valuation, advise or prepare a Basic Payment application (for which at least a third of all claims involve an adviser, most being CAAV members) or Countryside Stewardship application form, advise on Inheritance Tax planning or hold a machinery sale. However, this work would, as relevant, typically be informed by the wider view of the “rounded” adviser and so with an awareness of possible consequences.

2.8 These services can overlap with the next category of organisational support, as with the way ADAS once worked or:

- the work in Scotland of SAC Consulting from within SRUC
- the Farming Connect operation in Wales under *Menter a Busnes*, channelling work to its approved consultants
- Teagasc in the Republic of Ireland.

Despite some suggestions in the Stacey’s report, we do not expect DEFRA to have an appetite for a revival of the way ADAS once worked, which was anyway, as with those current examples, better at technical matters than full business advice.

2.9 The generality of specific advisers, however, will not have a fully rounded knowledge of the range of practical property, business, taxation, development control, personal and other factors bearing on the farm business decisions at the heart of this, and with the repertoire of potential approaches and solutions. There are few signs that, for example, agronomists are equipped for such a larger role or, indeed, seek it. (At the most basic, they generally lack a model and the systems for charging for such work, normally relying on a mix of acreage charges and chemicals costs.) Thus, the advice of specialist advisers, however good it may be on its own terms, may run counter to or fit ill with the overall business for reasons beyond their knowledge.

2.10 (c) Organisational Advice – The intermediary organisations have a role as advisers. These can include the work of the Prince’s Countryside Fund with its important resilience programme as well as bodies from LEAF to the Soil Association or Wildlife Trusts. Some may have general capabilities, more may be focused on specific areas of work, such as organic farming or bio-diversity without having a larger insight into the other practical areas on which their recommendations might impinge.

2.11 The AHDB (and, to an extent, its sister organisations such as HCC, QMS and LMC and some trade associations beyond them) also provide advisory support with monitor farms, benchmarking, briefings and other work.

2.12 Advice can also come from the specialist advisers and other functions of the farming unions, CLA, TFA and other membership bodies.

2.13 All these sources potentially have the same weakness as “specific” advisers in that they will give advice on specific concerns without necessarily understanding how it fits with the business or family as a whole.

2.14 That can lead onto the discussion of Knowledge Exchange, enabling peer-to-peer learning with the examples of other farmers who have already acted and been seen to

19th May 2021

Advice for Farmers and Landowners in the 2020s: A Review of Issues

succeed. This approach potentially answers Government's concern that the volume of research that is undertaken should be applied in the field.

2.15 One model is offered by the Business Discussion Groups managed by CAFRE in Northern Ireland engaging some 3,000 farmers in the province (likely to be a significant fraction of those with commercial operations) in regular discussions. Not only do such routes enable dissemination of knowledge but also facilitate an openness between farmers to support benchmarking and other business discussions.

2.16 (d) Rounded/Holistic Advice – This is where the role of trusted adviser comes to the fore, advising and assisting in the round, synthesising the picture and being a safe challenger. For the CAAV, this is the role of a broad, liberal profession, with what are still called agricultural valuers seeing a business in the round and able to unlock greater benefits for farmers, their families and their businesses.

2.17 While general or specific advisers might be able to stimulate or support a conversation, it is professionals such as agricultural valuers who can not only advise on the relevant factors and how they interact as approaches and solutions but also to open and then manage the discussions and negotiations between the interests involved. These may be within the family, between landlord and tenant or involve other parties. It requires an understanding of interests and motives, constraints and resources and the personal skills to help the parties over the hurdles found difficult. Done well, it will be key to making change practical, acceptable and deliverable.

2.18 Two current instances illustrate the issues:

- the CAAV is preparing members for the advice that will be needed for the new schemes, including the delivery of a joint webinar briefing with DEFRA on the SFI Pilot for the morning of 26th May. Advice will need to consider not only the aptness of specific options under the scheme but their inter-relationship with other schemes, the business, land tenure, regulatory constraints and other factors.
- DEFRA's proposed lump sum option for Basic Payment will, if perceived as potentially attractive, call for much advice with the personal, the practical, the economic and the legal factors all bearing on judging whether to take this. That will include particular challenges for family partnerships and companies, current multi-annual agri-environment agreements (especially joint ones as on commons) and family negotiations before considering negotiations with one or more landlords and the potential to manage taxation retirement.

2.19 Professional work with farming families and businesses in response to the foreseen pressures presents the challenge of having and applying the imagination needed to find and tailor the right answer to an individual case, not to impose templates. Once an approach is identified, such trusted advisers are then also likely to be needed to help with the implementation of the decisions made, with both practical help and continuing moral support.

2.20 This work calls not only on technical skills but also the personal skills of the kind highlighted by the Scottish Tenant Farming Commissioner in looking for agents to have empathy and emotional intelligence in managing land.

2.21 (e) Facilitation – Distinct from advice, there is a key role for the small but growing number of people who act as facilitators to families, bringing personal skills, experience and emotional insights to help farming families talk their way through their situations. Some of this is a natural part of some valuers' work as the skills of such facilitators are in assisting individuals and families to work their way through the issues; farmers then need to be pointed to those with detailed professional knowledge who might best help implement the resulting approach.

2.22 Facilitation and brokerage are roles that many members can undertake, with the added benefit of a professional understanding of the technical issues in play.

2.23 Some members already undertake a different facilitation role in bringing groups of farmers and owners (land managers) together to deliver environmental outcomes under umbrellas such as the Countryside Stewardship Facilitation Fund and the GWCT Farmer Clusters as well as agri-environment agreements on common land.

2.24 The example of the Land Mobility scheme as developed in the Republic of Ireland and now developing in Northern Ireland, with its combination of advice and a service seeking to match farmers potentially wishing to withdraw from farming with those wishing to enter farming, can offer one component of this approach.

2.25 Reprise – Advice is not homogenous, advisers are not interchangeable and different clients have different needs at different times. Clients have varying levels of sophistication and differing aptitudes. Different advisers with differing kinds and levels of skill may be needed as the case arises, which may, among other possibilities, be for:

- strategic review
- facilitation
- a feasibility study for a project
- business advice
- detailed technical analysis
- support and background advice to the client.

That may then be followed by instructions to act.

3. Advice on Schemes

3.1 The canvas described above with the issues and answers involved is much larger and broader than specific government schemes, the payments from which form, on average, perhaps 15 per cent of a farm's turnover, meaning that a 10 per cent movement in product process or yields has an equivalent effect to a 50 per cent changes in subsidies, though this varies by sector and calibre of business. That is the importance of the larger business issues. Nonetheless, much attention naturally focuses on the advice and support needed for land managers of all kinds to make the best of the new financial assistance schemes under the Agricultural Transition Plan with their focus on public money for public goods and support for productivity improvements.

3.2 While ministers have periodically hoped that their schemes should be simple enough for farmers to complete themselves, in practice many farmers want support with the wider

19th May 2021

Advice for Farmers and Landowners in the 2020s: A Review of Issues

perspectives and knowledge it can offer, the benefits of conversation and also professional indemnity insurance. DEFRA thinking has, in practice, recognised that the successful delivery of its schemes will require advice for those seeking to navigate through them, especially where they are more demanding.

3.3 Key questions in that include:

- advice for whom?
- advice by whom?
- advice on what?
- given on what financial basis?
- thereafter?

3.4 (a) Advice for Whom? – The adviser has to be retained by and accountable to the farmer rather than, as posed in some early models for ELM, acting for both farmer and state with the problems that has for issues of trust, competence, conflict of interest and liability. Under the transactional model proposed for public goods in which the Government buys them and the provider sells them under an agreed contract, each party to the transaction should be advised independently as in any other major transaction.

3.5 (b) Advice by Whom? The range of possible advisers is discussed below but four points have been seen to recur in official discussion:

- specifically tailored agreements - the CAAV agrees that templates for agreements are at best only the start of a process
- the adviser should be trusted by the farmer – which the CAAV would entirely endorse
- the expectation of a role for specific advisers, whether agronomists or others, but these might typically lack the knowledge of the bigger picture of the interaction of a farm business and family with tax, land occupation and other issues. The appetite for such work would be for the individual who might as equally develop skills to tackle other husbandry approaches to crop protection and management. Those that sought this advisory work might in turn seek CAAV membership just as CAAV members would develop further skills and knowledge relevant to ELM and related matters.
- the potential for this to be done by intermediary organisations (rather than individual professionals in the market place) such as Wildlife Trusts or the RSPCA which again have specific skills but not necessarily the broader range of knowledge or the appetite for liability for wider advice.

However, it is for the farmer to choose whoever is appropriate.

3.6 (c) Advice on What? – As has been proposed for entry to the prospective Welsh Sustainable Farming Scheme, the advice needed might not only be on the new schemes (or, indeed, potentially more lucrative private sector initiatives) but also include an initial evaluation of the business as a whole, partly as a check on whether the proposal is financially sensible. The importance of that might be illustrated by the AHDB report that just 19 per cent of farms have a written business plan. The valuer's rounded knowledge of a farm business, with its different aspects of a business and their interactions, can support this work.

3.7 This might also require an opinion as to whether the client has the skills to deliver the environmental outcomes. That might more properly be a role for the Government's advisers.

3.8 (d) Given on What Financial Basis? This question is also potentially relevant to the larger question of broader advice considered earlier in this note. Payments on area-based tariffs were made for the English Forest/Woodland Management Plans and under the English Higher Level Stewardship for paid applicants for FEPs accompanying a properly completed HLS application.

3.9 The options might be:

- *no payment for costs/fees* – this is a voluntary transaction with each party advised. As Michael Gove said to the Oxford Farming Conference 2019:

“ELMs should be seen as an additional crop, with the Government, rather than a commercial player, entering into a contract with farmers to ensure we increase the provision of environmental services, many of which will also enhance farm productivity.”

A commercial approach would see the farmer meet his costs in the agreement (as now for a BPS application), including those of his adviser. Implicitly, that should then be recognised by the pricing of the goods relevant to the transaction since this is for a seller who might be presumed not to proceed unless the transaction was advantageous, even with its costs. However, the fees are an initial charge and the payments likely to come over time but that is no different to the commerciality of putting a lease (possibly more analogous here than a sale) in place. Of course, some work might prove to be abortive.

- *an upfront part-contribution to fees* – the Government might, on certain conditions, make an offer of a sum of money (whether a lump sum or linked in some way to scale or environmental importance) towards fees in preparing the initial proposal. There may be something to learn from the arrangements for Farm Environment Plans (FEPs). However, experience of state-funded, limited payments for advice or review has seen it tend to encourage formulaic advice that can seem to be more of a tick box nature than what might really be needed.
- *meeting reasonably fees, reasonably incurred* – while this is the underlying model for compulsory purchase (with such Tribunal decisions as *Poole*, *Matthews*, etc), the Government might be wary of the additional issues and work potentially involved in this. It would be driven by the way the client engaged the adviser with a fee basis and scope of instruction with the required ability to check and validate the claim.

3.10 Preferring the first of those options, that the payment rates enable the farmer to make the choice of adviser and pay for that, there is nonetheless a better case for a payment for facilitation for a group of farmers/land managers as might be seen with both the Nature Recovery and Landscape Recovery proposals.

3.11 (e) Thereafter? – The government’s proposals envisage multi-annual agreements being reported on, reviewed and updated on a standard or agreed timetable with advice likely to be wanted or needed at each stage.

19th May 2021

--0---0---0--

APPENDIX

Syllabus for the CAAV Examinations held after 1st July 2019

Candidates are expected to have a working knowledge of all matters relevant to the valuation of and related professional work with rural property and business, rights and obligations, assets, livestock, deadstock and other goods with the relevant statutes and case law, for the country within the United Kingdom in which they predominantly practice, including but not restricted to the following:

1. Farming and Land Management

- (a) Agricultural practice, including farming systems and methods, farming enterprises with their economics and practicality, and the use of technology
- (b) Public policies for agriculture, rural land management, resources such as soil and water, and other issues including animal health and welfare with available payments and agreements
- (c) Regulations bearing on rural land and businesses, including environmental matters and health and safety
- (d) Preparation, use and analysis of budgets, cash flows, management accounts, financial accounts and balance sheets
- (e) Agricultural buildings and their construction with regulations and costs

2. Rural Property Law, Agricultural Business Structures and Agreements

- (a) Business planning and structures for rural landowners and farmers including sole trading, partnerships and companies
- (b) Rural property law, particularly agricultural landlord and tenant matters, including the law and valuations relevant to the commencement, the operation and the termination of tenancies including rent, tenant's fixtures and improvements, dilapidations, other rights, claims and obligations of landlords and tenants
- (c) Other forms of agreement between landowners and farmers, including contract farming agreements, joint ventures, share farming, licences, profits
- (d) The drafting and interpretation of agreements
- (e) Use of these structures and agreements with business and family change

3. Taxation for Rural Property and Business

The framework of, valuations for and relevant impact of

- (a) Income Tax and Corporation Tax
- (b) Capital Gains Tax and Inheritance Tax
- (c) Stamp Duty Land Tax and other transactions taxes (LBTT in Scotland and LTT in Wales)
- (d) Value Added Tax
- (e) Business rates
- (f) Other national, devolved and local taxation

together with the relevant reliefs and exemptions

4. Statutory Regimes for Rights to and over Land

Advice for Farmers and Landowners in the 2020s: A Review of Issues

- (a) Restrictive covenants, easements (servitudes in Scotland) and other rights in or over property
- (b) The law and practice of compulsory purchase and compensation as applied to agricultural and other rural property and businesses
- (c) Rights taken by utilities including statutory wayleaves
- (d) Telecommunication masts, cables and apparatus with the Electronic Communications Code
- (e) Other rights of acquisition under statute, including Community Right to Buy (Scotland) and Assets of Community Value (England). -

5. Non-Agricultural Uses of Rural Property and Development Control

- (a) Rural planning and development control policies and practice
- (b) Financial and practical issues for diversification into non-agricultural uses
- (c) Renewable energy projects
- (d) Forestry and woodlands
- (f) Sporting, leisure and tourism
- (e) Re-use and conversion of rural buildings with an appreciation of practicality, cost, viability and procedures
- (f) Residential and other development in the countryside
- (g) Minerals
- (h) Agreements for development including options and promotion
- (i) Development charges under planning agreements (s.106 in England and Wales, s.75 in Scotland, s.76 in Northern Ireland), for affordable housing (with viability assessments), under statutory levies (such as the Community Infrastructure Levy) and otherwise

6. Letting of Residential Property

The letting and management of rural residential property with the law, professional practice and valuations relevant to the commencement, the operation and the termination of tenancies including the rights, claims and obligations of landlords and tenants

7. Letting of Commercial Property

The letting and management of rural commercial property with the law, professional practice and valuations relevant to the commencement, the operation and the termination of tenancies including the rights, claims and obligations of landlords and tenants

8. Environmental and Resource Matters

- (a) An understanding of environmental issues for rural land management, including those relating to soil, water, bio-diversity and the mitigation of climate change
- (b) Relevant law, policy and practice on the environment, resource protection and pollution control
- (c) Assessment and valuation of environmental goods and services
- (d) Land management for environmental and conservation purposes
- (e) Environmental schemes, grants, payments, subsidies and agreements
- (f) Energy policy, legislation and practice for rural property

9. Appraisal, Valuation, Transactions and Marketing of Rural Property, Livestock, Deadstock and Consumables

- (a) The inspection and appraisal of farms, estates and other rural property
- (b) Freehold, leasehold and rental valuations of agricultural and rural property for all purposes, whether in the market place or under statute, with an understanding of the law of real property, the practical application of economic principles, bases of value, methods of valuation, valuation assumptions, valuation standards, and the appraisal of both the subject property in its context and other relevant information
- (c) The identification, appraisal and valuation of growing and harvested arable and forage crops, agricultural live and deadstock, produce, commodities, consumable stores, plant and machinery
- (d) Marketing, selling and letting rural property
- (e) The financing of rural property transactions and businesses, considerations for investment and other relevant matters

10. Dispute Resolution

- (a) Dispute resolution, under statute and under contract, including arbitration, expert determination and mediation, planning appeals, Tribunals (including Property, Taxation and Employment), the Scottish Land Court and other forums for appeals
- (b) The management of a client's case, the preparation of evidence, the conduct of a hearing and the role of an expert witness

11. Professional Practice

- (a) Inspection and appraisal with written and oral structured reporting and communication
- (b) The law (including Acts, Statutory Instruments, regulations and case law) for and the operation of professional practice and business, including agency, property management and auctioneering
- (c) Business management with office systems, procedures and efficiency
- (d) Professional conduct, standards, ethics, regulation and Professional Indemnity Insurance

12. General Knowledge of the Countryside

< > < > < >