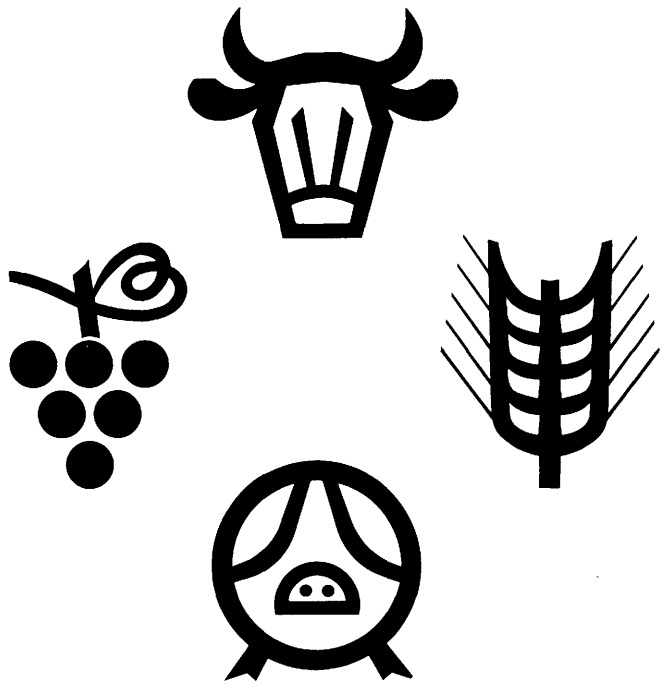
COMMISSION OF THE EUROPEAN COMMUNITIES

Information on agriculture

Factors influencing ownership, tenancy, mobility and use of farmland in the United Kingdom

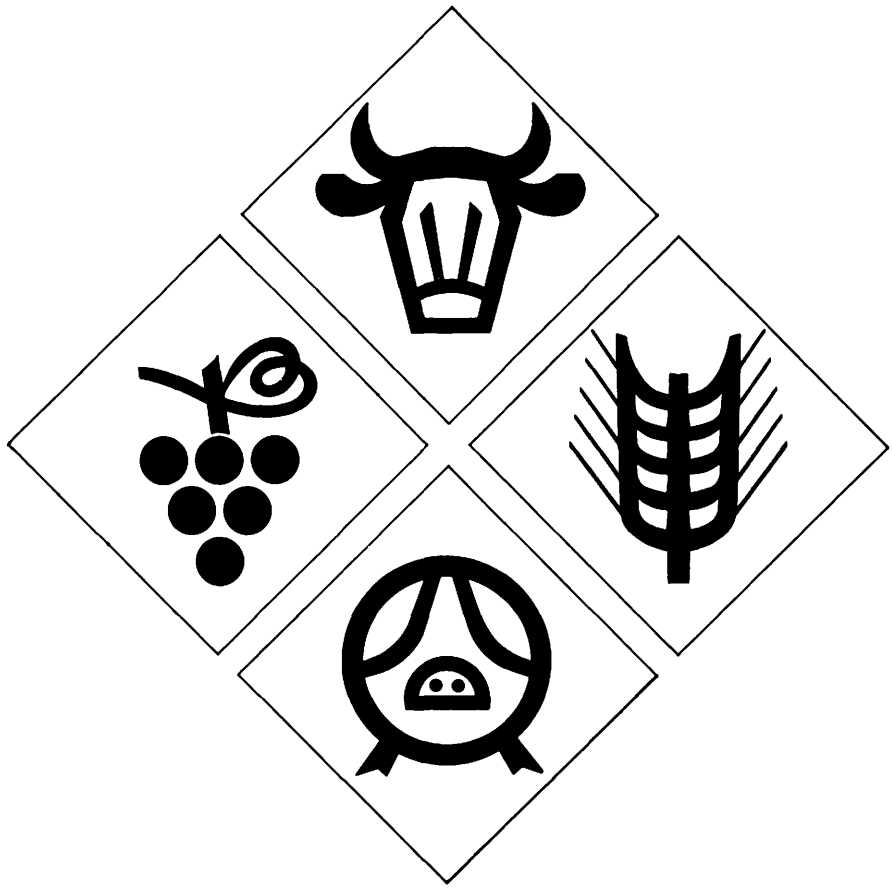


No. 74

COMMISSION OF THE EUROPEAN COMMUNITIES

Information on agriculture

Factors influencing ownership, tenancy, mobility and use of farmland in the United Kingdom



Manuscript finished in March 1980.

No. 74

COMMISSION OF THE EUROPEAN COMMUNITIES

DIRECTORATE-GENERAL FOR AGRICULTURE

Directorate General matters — Division "Reports, studies, statistics and documentation"

A bibliographical slip can be found at the end of this volume

Luxembourg: Office for Official Publications
of the European Communities, 1981

ISBN 92-825-2181-8

Catalogue number: CB-NA-80-074-EN-C

Printed in Belgium

FOREWORD

Within the scope of the study programme of the Directorate General of Agriculture monographs have been prepared concerning the factors influencing ownership, tenancy, mobility and use of farmland in the Member States of the Community.

The present report deals with the situation in the United Kingdom and has been prepared by

A. HARRISON
Department of Agricultural Economics and Management
University of Reading

with contributions of

Joanna Abecassis M.A.
Department of Land Economy,
University of Cambridge.

Tim Forse M.A., Ph.D.
Department of Land Economy,
University of Cambridge.

Alan Harrison M.A., M.Sc.
Reader in Agricultural Economics,
University of Reading.

Berkeley Hill B.Zc., Ph.D.
Lecturer in Agricultural Economics,
Wye College, University of London.

Allen Maunder B.Sc.
Acting Director, Institute of
Agricultural Economics,
University of Oxford.

C.W.N.Miles M.A., F.R.I.C.S.
Professor of Land Management &
Development,
University of Reading.

Richard Tranter B.Sc.
Research Officer,
Centre for Agricultural Strategy,
University of Reading.

Donald Troup F.R.I.C.S.
Chartered Surveyor,
Porter & Cobb,
Maidstone.

The divisions "Reports, studies, statistical information, documentation" and "Elaboration of common structural measures" have been involved in the study.

*

* *

Preface

This study of the ownership, tenancy, mobility and use of farmland in the United Kingdom forms part of a Commission sponsored programme embracing all nine Member States of the European Community. It is the work of eight different authors in the UK following a study plan developed in the first instance by the writer and subsequently expanded as a result of fruitful discussions with staff of the European Commission in Brussels and Professors Denis Bergmann of Paris and Ernst Lipinsky of Bonn. It owes a great deal to them and to the comments and observations of the authors of the other member state reports and, over the final stages of presentation, to the editorial assistance of my Reading colleague Richard Tranter.

Alan Harrison,
Department of Agricultural Economics and Management,
University of Reading,
March 1980.

Authorship

Introduction:		
I.A.	1- 25	Berkeley Hill
I.B.	25- 41	Berkeley Hill
I.C.	41- 61	Berkeley Hill
Landownership:		
II.A.	62- 95	Berkeley Hill
II.B.	96-109	Allen Maunder
II.C.(a) & (b)	109-116	Tim Forse
II.C.(c)	116-129	Joanna Abecassis
II.D.(a)(b)(c) & (d)	130-140	C.W.N.Miles
II.D.(e)	140-149	Alan Harrison
II.E.	149-153	Alan Harrison
Tenancy:		
III.A.	154-173	Berkeley Hill
III.B.	174-188	Donald Troup
III.C.	189-199	Tim Forse
III.D.	199-202	Alan Harrison
Aggregate land use patterns and conflicts:		
IV.A.	203-217	Richard Tranter
IV.B.	217-225	Richard Tranter
Conclusion:		
V.	226-231	Alan Harrison

****

List of contents

		Page
I.	INTRODUCTION	1
I.A.	The position of agriculture in the UK economy	1
	Contribution to GDP and proportion of employment	1
	Agriculture in Northern Ireland	9
	Labour in UK agriculture	9
	Farm businesses and families	14
	Part-time farming	18
	Incomes of the farming sector	20
	Wealth of the farming sector	21
	The borrowing pattern of UK agriculture	22
I.B.	The composition of UK farming by size of farm and tenure	25
	Farms and Holdings	29
	Farm structure in Northern Ireland	29
	Farm Tenure	31
	Business form	36
	The very large farm in the UK	36
I.C.	The distribution of landownership	41
	Landownership in Great Britain	42
	Landownership in Scotland	52
	Recent trends in land acquisition	57
	The sizes of farms under the landlord-tenant system	58
II.	LANDOWNERSHIP	62
II.A.	Owner-occupied farms, mobility and use	62
II.A.(a).	Mobility of owner-occupiers and their land	62
	Occupational mobility of farmers - entry into owner-occupation of land	62
	Exit from farming	67
	Geographical mobility of owner-occupiers	69
	Land mobility between farms and between uses	73
II.A.(b).	Capital equipment employed by owner-occupiers and their current rates of investment	75
	The borrowing position of owner-occupiers	80
II.A.(c).	Farm incomes of owner-occupiers	81
	Productivity and efficiency measures	88
II.B.	The Land Market : Sales and Prices	96
II.B.(a).	Introduction	96
II.B.(b).	Available price series	96
(i)	The Institute of Agricultural Economics, University of Oxford	97
(ii)	MAFF	97
(iii)	Country Landowners' Association	104
(iv)	Department of Agriculture & Fisheries for Scotland	104
(v)	The Land Market in Northern Ireland	105
II.B.(c).	Conclusion	108

		Page
II.C.	Arrangements relating to inheritance and land transfers	109
II.C.(a).	Beneficial land ownerships	109
(i)	Estates and tenure	109
(ii)	Common law and equity	109
(iii)	Rules against remoteness	110
II.C.(b).	Land transfer	111
(i)	The legal estate - fee simple absolute in possession	111
(ii)	Leaseholds	112
(iii)	Transfer of interests under trust	112
	(a) Settled land and Settlements	113
	(b) Discretionary Trusts	114
	(c) Trust for sale	114
	(d) Statutory trusts for sale	115
	(a) Co-ownership	115
	(b) Intestacy	115
II.C.(c).	Trusts and arrangements	116
(i)	Introduction	116
(ii)	The extent of Trust Ownership	117
	(a) AMC survey, 1976	117
	(b) MAFF Wyre Forest Survey, 1978	118
	(c) Abecassis, University of Cambridge Survey 1978	119
	(d) Conclusion	120
(iii)	The workings of trust ownership	120
	(a) Discretionary trusts	120
	(b) Settled Land Act 1925 settlements	122
	(c) Fixed interest trusts for sale	123
	(d) Accumulation and maintenance trusts	123
	(e) Charitable trusts	124
	(f) Employee trusts	125
	(g) Trustees	125
	(i) Influence	126
	(ii) Residence	126
	(h) The extent of agricultural licences	127
	(i) Conclusions	128
II.D.	Fiscal and financial aspects of landownership and transfers	130
II.D.(a).	Introduction	130
II.D.(b).	The taxation of farm profits and rents in the UK	130
(i)	Farm profits	130
(ii)	Farm rents	133
II.D.(c).	Capital taxation	133
	Agricultural and business property relief	134
	Agricultural relief	134
	Business property relief	135
	Payment of CTT	137
	Capital Gains Tax	137
II.D.(d).	Summary	139
II.D.(e).	Costs of financing real estate transfers	140
	Source of funds	145
II.E.	Owner-occupation and its problems	149

		Page
III.	TENANCY	154
III.A.	Tenancy arrangements - forms, extents and flows	154
III.A.(a).	The mobility of tenants and of rented land	154
	Family renting arrangements	155
	Evidence on real mobility of land between tenants	157
	Mobility of tenant farmers	160
III.A.(b).	Capital equipment employed on tenanted farms and their current rates of investment	161
	Borrowing by tenants	162
III.A.(c).	Farm incomes of tenants	166
	A note on mixed-tenure farms	169
III.B.	The Letting of Farmland Including the Fixing of Rents	174
III.B.(a).	Background	174
III.B.(b).	Forms of letting	174
	Leases	174
	Year to year tenancies	175
	Oral and written agreements	175
	Limited term tenancies	175
	Seasonal grazing agreements	175
	Cropping arrangements	176
III.B.(c).	The Agricultural Holdings Act	176
	Security of tenure	176
	Succession to a tenancy by members of the family	177
	Length of notice to quit	178
	Freedom of cropping	178
	Tenants' compensation	179
	Repair liability	180
	Landlord's compensation	181
	Rents and review arrangements	182
	Settling disputes	184
III.B.(d).	Rent determination arrangements in Scotland	184
	Crofting tenure (Scotland)	184
III.B.(e).	Land tenure and legislation in Northern Ireland	185
	Agricultural tenancies	186
	Conacre	186
III.B.(f).	Legal warning	187
	The Acts and Regulations relating to Landlord and Tenant Law	187
III.C.	Farm Rents	189
III.C.(a).	Sources of information	189
III.C.(b).	Determinants of Rental Variation	191
	Time	191
	County and farming type	192
	Farm size	192
	Estate size	194
	Ownership type	194

		Page
III.C.(c).	Provision of fixed capital	195
	Tenant's liability for repairs	197
	Rental variation within an estate	198
III.C.(d).	Analysis of rental revision	199
III.D.	Tenancy and its problems	199
IV.	AGGREGATE LAND USE PATTERNS IN ENGLAND AND WALES AND THE RESOLUTION OF CONFLICTS OVER COMPETITION FOR LAND	203
IV.A.	Statistics on land use, quality and the rate of transfer of land out of agriculture	203
IV.A.(a).	Land use	203
IV.A.(b).	Land quality	209
IV.A.(c).	Transfer of land from agriculture	210
IV.A.(d).	Prices paid for land transferred from agriculture	215
IV.A.(e).	Conclusion	217
IV.B.	Social, political, economic and administrative factors that affect land use patterns and the resolution of conflicts over competition for land	217
IV.B.(a).	Government financial assistance to agriculture	217
IV.B.(b).	Planning and environmental legislation	218
IV.B.(c).	Compulsory purchase powers and capital taxation	220
IV.B.(d).	Non-agricultural demand for rural land	222
IV.B.(e).	Rural problem areas	223
V.	CONCLUSION	226
VI.	REFERENCES	231

****

List of tables and figures

		Page
Table I.A.1	Agricultural Employment & Gross Domestic Product in the UK, 1900-1977 (selected years)	2
Table I.A.2	Indices of farming's Net Product and of Gross Product per person employed, 1967-1978	2
Table I.A.3	Output from farms in the UK: in absolute terms and as a percentage of total supply (selected years)	3
Table I.A.4	Composition of total output of UK agriculture 1976 and 1977, and comparisons with two earlier periods	6
Table I.A.5	Total number of smds for UK agriculture in 1975	5
Table I.A.6	UK Crop areas at June 1976	7
Figure I.A.7	Dominant systems of farming in the UK	8
Table I.A.8	Number of persons engaged in agriculture in the UK	11
Table I.A.9	Distribution of farmers in England & Wales according to age, secondary education and agricultural training	14
Table I.A.10	Distribution of agricultural labour and all economically active labour by age, Great Britain 1971	15
Table I.A.11.a	Age distribution of farmers in England and in England and Wales, various years	16
Table I.A.11.b	Percentage distribution of whole-time farmers, partners and directors by age groups within holding area size groups. England and Wales December 1974	16
Figure I.A.12	Age distribution of farmers, agricultural workers and all male employees, England and Wales	17
Figure I.A.13	Distribution of holdings and standard man-days by 50 smd intervals centered at different smd sizes, England and Wales, 1973	19
Table I.A.14	Distribution of farms by type and by size according to rate of return on tenants' capital. England and Wales 1972-3 - 1974-5	22
Table I.A.15	Liabilities of UK farms for selected years	23
Table I.A.16	Financial structure of UK agriculture in current prices 1970 and 1974	24
Table I.B.1	Size distribution of holdings in the UK, 1966-75	27

		Page
Table I.B.2	Number and size distribution of holdings in Great Britain and its constituent parts 1977	28
Table I.B.3	Size distribution of holdings and of farms based on areas of crops and grass, England 1969	30
Table I.B.4	Distribution of holdings by total area and number according to tenure. England and Wales selected years 1950-1977	32
Table I.B.5	Number and area of holdings by tenure and size of holding (total area) 1975	33
Table I.B.6	Distribution of all farms by area of crops and grass and tenure. Raised figures, England 1969	34
Table I.B.7	Distribution of farms based on areas of crops and grass and business forms. Raised figures, England 1969	37
Table I.B.8	Numbers of and areas occupied by very large farms. England and Wales, 1968-77	38
Table I.B.9	Numbers of holdings and numbers of workers by size of workforce. England and Wales 1970, 1973 and 1977	39
Table I.C.1.a	Agricultural landownership in Great Britain 1978	43
Table I.C.1.b	Agricultural landownership by the public sector in Great Britain, 1978	44
Table I.C.2	Distribution of estate numbers and areas of rented land by types of ownership. England and Wales sample 1976	47
Table I.C.3	Distribution of estates by sizes, numbers and areas. England and Wales sample 1976	48
Table I.C.4	Distribution of estates by size, rent and owner type (Raised figures England and Wales, 1957)	50
Figure I.C.5	Percentage distribution of estates according to type of ownership for different estate size groups, England and Wales, 1957	51
Table I.C.6	Size distribution of estates in membership lists of the Scottish Landowners Federation	53
Table I.C.7	The top 25 landowners in Scotland, their estates and their sizes in 1970	54
Table I.C.8	Estates at over 405 ha in Scotland by regions	52
Table I.C.9	The size distribution of estates over 405 ha by regions in Scotland, 1970	55

		Page
Table I.C.10	Sales and purchases of agricultural land in England	56
Table I.C.11	Distribution of numbers of rented holdings and total rented area. England and Wales 1974	59
Table I.C.12	Frequency distributions of numbers of estates by size from two separate studies	60
Table II.A.1	Previous occupations of new occupiers, Devon and Nottinghamshire 1961-1969	64
Table II.A.2	Characteristics of occupier's of farms of 405 ha and over compared with an all-size sample, East Anglia	66
Table II.A.3	New occupiers - previous employment, Scotland	66
Table II.A.4	Percentage distribution of outgoers by ages, farm types and size groups, Scotland 1972-4	68
Table II.A.5	Distribution of farms according to tenure and the number of moves of farm made. Raised figures England 1969	71
Table II.A.6	The long-term pattern of the volume of farm land sales in England and Wales, 1945-1975	72
Table II.A.7	Reasons for farms becoming available for purchase 1959-69	74
Table II.A.8	Gross capital formation in UK agriculture 1967-78	77
Table II.A.9	Expenditure on fixed capital and machinery valuation by tenure of holding. FMS England and Wales, 1976-7	77
Table II.A.10	Value of buildings per ha at replacement cost by farm size and tenure. English sample 1973	78
Table II.A.11	Distribution of farms by area of crops and grass by tenure and according to liabilities as per cent of assets. Raised figures, England, 1969	81
Table II.A.12	Composition of liabilities of owner-occupiers England 1969 and England and Wales 1976-7	83
Table II.A.13	Comparison of certain physical and financial data on wholly tenanted and wholly owner-occupied farms in England and Wales, 1975-6 and 1976-7	86
Table II.A.14	Return on total capital for all types of farms except horticulture. 275-4199 smd 1972-3 - 1974-5	87
Table II.A.15	Ratio of average non-farm earnings to occupational earnings on full-time owner-occupied farms - all types (excluding horticulture)	89

		Page
Table II.A.16	Average efficiency ratio on different sizes and types of farms, England and Wales, 1970-1	91
Table II.A.17	Output per ha on large and medium-sized farms 1968-73	93
Table II.A.18	Six-year average transformed efficiency ratios by size and type of farm, 1968-73	95
Table II.B.1	Average price of farms sold at auction (Oxford Institute series), England and Wales	98
Table II.B.2a	Median price of farms sold at auction with possession. England and Wales	99
Table II.B.2b	Median price of bare land sold at auction with possession. England and Wales	99
Table II.B.3	Indicators of land prices in England and Wales 1966-78	100
Table II.B.4a	ADAS/AMC land price series, England and Wales, 1974-7	102
Table II.B.4b	ADAS/AMC land price series, England, 1978-9	103
Table II.B.5	Average sale prices of farms in Scotland 1970-7	105
Table II.B.6	Land purchases in Ireland under the various Land Purchase Acts, 1870-1920	106
Table II.B.7	Average prices paid for agricultural land in Northern Ireland	107
Table II.C.1	Results at the AMC survey of landlords	117
Table II.C.2	Results of the MAFF Wyre Forest Survey	118
Table II.C.3	Results of the Abecassis Survey	119
Table II.C.4	The variation of Discretionary Trusts, 1975-8 in the Abecassis Survey	122
Table II.D.1	Land prices and NFI per ha, total Bank and AMC borrowing. England and Wales since 1960	141
Table II.D.2	The annual payment required to service a 100 per cent 20 year mortgage at the average price of land for each year in turn 1950-77 expressed as a percentage of 0.6 of NFI in that same year. By various sizes of farms. England and Wales	142
Table II.D.3	Mortgage interest rates, taxation, inflation and real interest rates 1950-78	144
Table II.D.4	AMC lending by groups of borrowers in recent years	146
Figure II.D.5	Land sales financed by the AMC. England and Wales 1977-8	147
Table II.D.6	AMC loans completed with and without additional security in the year ending 31 March 1978	148

		Page
Table II.D.7	Loans granted by the AMC in the year ended 31 March 1978 by type	150
Table III.A.1a	Distribution of agricultural land by tenure England and Wales, selected years	155
Table III.A.1b	Distribution of agricultural land by tenure UK 1970-79	156
Table III.A.2	Percentage of total agricultural land by tenure of holding. England and Wales 1970-7	158
Figure III.A.3	Annual percentage of farms over 4.05 ha being vacated: Nottinghamshire and Leicestershire, 1963-4 - 1968-9	159
Table III.A.4	Reasons for farms becoming available for re-letting: Devon and Nottinghamshire 1959-69	161
Table III.A.5	Balance sheet for the end of the 1976-7 accounting year. All types of farming (excluding horticulture) farms 275-4200 smd. England and Wales	163
Table III.A.6	Total liabilities as a percentage of NFI by size of farm, England and Wales, 1975	164
Table III.A.7	Source and disposition of funds on farms of 275-4199 smd. England and Wales 1974-5 and 1976-7	165
Table III.A.8	NFI and Labour Income - FMS England and Wales 1976-7	170
Table III.A.9a	Returns on tenants' capital on different types and sizes of farms in England and Wales, 1972-3 - 1974-5	172
Table III.A.9b	Returns on tenants' capital on different farm types and sizes in Scotland, 1972-3 - 1974-5	172
Table III.A.10	Return on tenants' capital on farms in South-East England, 1975-78	173
Table III.A.11	Comparison of selected farm business features by tenure, England and Wales, 1976-7	171
Table III.B.1	Area of principal crops grown, in total and on conacre land, Northern Ireland June 1977	187
Table III.C.1	Gross rents in England and Wales 1950-60	189
Table III.C.2	Gross rents in England and Wales 1961-77	190
Table III.C.3	Rental variation between farm size groups England and Wales 1957 & 1977	193
Table III.C.4	Average rent per ha by estate size. England and Wales 1973-4	194
Table III.C.5	Rent by ownership type. England and Wales 1957	195

		Page
Table III.C.6	Rent by estate type. England and Wales 1973	195
Table III.C.7	Average rents of farms with a landlord's improvement and a rent change by area size groups. England and Wales 1976-7	196
Table III.C.8	Proportion of rent spent on improvements and other expenses. England and Wales 1973-4	197
Table III.C.9	Rent, liability for repairs and farming type England and Wales 1957 and 1973-4	198
Table III.C.10	Rental determination procedures and level of rent per ha. England and Wales 1968-77	200
Table IV.A.1	An estimate of land uses in England and Wales, 1976	203
Table IV.A.2	Agricultural land use in England and Wales, 1975-77	205
Table IV.A.3	Agricultural land use in England and Wales in 1977, by MAFF region	206
Table IV.A.4	'Developed areas' and five main land uses by Economic Planning Region in England and Wales, 1969	208
Table IV.A.5	The proportions of the agricultural land areas of the MAFF Regions in each of the MAFF Land Classification Grades, 1974	210
Table IV.A.6	Net annual transfer to and from agricultural land in England and Wales, 1967-1975	211
Table IV.A.7	New forestry planting in England and Wales, 1972-77	213
Table IV.A.8	Prices of agricultural land sold for roads, housing and industrial development compared with prices of land remaining in agriculture in Scotland, 1972-76	215
Table IV.A.9	Forestry Commission land acquisitions in Great Britain, 1971-77 with details of prices paid	215
Table IV.A.10	Some price information for agricultural land sold for residential development in England and Wales, 1967-73, compared with agricultural land prices	216

****

FACTORS INFLUENCING OWNERSHIP, TENANCY MOBILITY AND USE OF FARMLAND

The United Kingdom

I. INTRODUCTION

I.A. The position of agriculture in the UK economy

In the broadest of terms, UK agriculture occupies 19 million ha (79 per cent of the total land surface area), engages 2.7 per cent of total manpower, and accounts for 3.1 per cent of total gross fixed capital formation. It contributes 2.6 per cent of the country's Gross Domestic Product (GDP) and provides just over half the nation's food supplies, two-thirds if only temperate products are considered (MAFF,1979). These aggregates do little, however, to reveal the importance of farmland in the country's economic and social fabric and the relevance of landownership to the continuing processes of change in the economy. Nor do they show the extent to which government activity in the form of agricultural policy or measures designed to achieve a more equitable distribution of income and wealth impinge on landowning.

Contribution to GDP and proportion of employment

For the purpose of this study agriculture is determined as stopping at the farm gate. Horticulture is included, but the activities of the veterinary and farm machinery sectors, the food processing and distribution system and other competing land uses such as forestry and recreation activities are excluded.

In terms of its contribution to GDP and to the pattern of employment, UK agriculture has been declining throughout this century (Table I.A.1). The period immediately following World War II saw a temporary reversal in the long-term downward trend in the contribution to GDP, but this has since been more than compensated. However, production has not fallen absolutely but has risen for about one hundred years, particularly during and shortly after World War II. Table I.A.2 shows that within the last decade, the upward trend has continued except for the dry conditions of 1975 and the drought of 1976. It is estimated that the net output of UK agriculture has at least doubled since 1939, and part of this extra output has replaced imports (Kirk in Edwards & Rogers, 1974). The growth in output has happened despite a decrease in agricultural area of about 4 per cent and in number of employees of about 50 per cent. However, although productivity increases have been exhibited by land and labour when looked at separately there has not necessarily been an improvement in the overall productivity of resources employed. Indeed it has been suggested (Hill & Ingersent, 1977) that, the

Table I.A.1

Agricultural Employment & Gross Domestic Product in the UK, 1900-1977 (selected years)

	Percentage of UK Gross Domestic Product originating in agriculture at current prices.	Agricultural Employment as a percentage of UK total employment
1900	7	8
1910	6	8
1920	6	7
1930	3	6
1940	4	n.a.
1950	6	5
1960	4	4
1967-9	2.9	3.3
1974	2.5	2.7
1975	2.5	2.7
1976	2.5	2.7
1977	2.6	2.7

Sources: Hill & Ingersent, 1977 and MAFF, 1979.

Table I.A.2

Indices of farming's Net Product and of Gross Product per person employed, 1967-1978

	Net Product[1] at constant prices 1975 = 100	Labour Productivity[2] 1975 = 100
1967	103	79
1968	100	80
1969	102	84
1970	101	87
1971	112	100
1972	111	100
1973	113	102
1974	114	107
1975[3]	100	100
1976[3]	91	91
1977	115	113
1978 (forecast)	122	117

[1]Net Product = value added by landowners, farmers and farmworkers to the goods and services purchased from outside the agricultural sector.

[2]Gross Product per person engaged in agriculture.

[3]Years with drought conditions.

Sources: MAFF, 1978b and 1979.

Table I.A.3

Output from farms in the UK: in absolute terms and as a percentage of total supply (selected years)

	Average 1967-9	1976	1977	Estimated 1976-8
Wheat ('000 tonnes)	3579	4740	5274	
Production as % of supply	(45%)	(56%)	(59%)	(62%)
Barley ('000 tonnes)	8717	7648	10531	
Production as % of supply	(102%)	(94%)	(96%)	(104%)
Oats ('000 tonnes)	1305	764	790	
Production as % of supply	(101%)	(94%)	(95%)	(96%)
All cereals ('000 tonnes)	13773	13263	16727	
Production as % of supply	(64%)	(62%)	(67%)	(70%)
Potatoes ('000 tonnes)				
Percentage of supply for human consumption derived from home crop	6763 (91%)	4789 (75%	6621 (81%)	(82%)
Sugar ('000 tonnes refined basis)	882	695	949	
Production as % of supply	(33%)	(29%)	(37%)	(35%)
Apples ('000 tonnes)	338	331	264	
Output as % of supply	(57%)	(46%)	(43%)	(49%)
Tomatoes ('000 tonnes)	98	128	123	
Output as % of supply	(30%)	(41%)	(39%)	(41%)
Beef and Veal ('000 tonnes)	946	1069	1032	
Production as % of supply)	(79%)	(89%)	(86%)	(87%)
Mutton and Lamb ('000 tonnes)	244	248	229	
Production as % of supply	(42%)	(57%)	(58%)	(59%)
Pork ('000 tonnes)	587	584	650	
Production as % of supply	(101%)	(100%)	(100%)	(99%)
Bacon and Ham ('000 tonnes)	220	222	218	
Production as % of supply)	(35%)	(47%)	(43%)	(43%)
Poultry meat ('000 tonnes)	509	663	678	
Production as % of supply	(99%)	(102%)	(104%)	(103%)
Total meat ('000 tonnes)	2506	2786	2808	
Production as % of supply	(71%)	(83%	(82%)	(82%)
Liquid milk(M litres)	11908	13819	14595	
Sales for liquid consumption	7517	7760	7485	
Proportion of total output for liquid consumption	(63%)	(56%)	(51%)	(52%)
Butter ('000 tonnes)	50	90	134	
Production as % of offtake	(10%)	(20%)	(32%)	(30%)
Cheese ('000 tonnes)	122	204	206	
Production as % of offtake	(44%)	(61%)	(67%)	(65%)
Eggs - total output for human consumption M doz.	1222	1149	1156	
and as % of total supply	(99%)	(100%)	(101%)	(101%)

Sources: MAFF, 1978b and 1979.

ratio of total output to total input has remained approximately constant, or even declined slightly over the 1950s and 1960s. However, the generally accepted figure for the average annual increase in productivity of the industry over the decade or so up to the mid-1970s is just below two per cent, with the partial productivity measures for labour and land being of the order of 6 per cent and 3 per cent respectively (Agriculture EDC, 1973).

Currently the UK agricultural industry produces rather more than half of the nation's total supply of food products. The average share of the total value of all foods consumed represented by home production for the years 1976 to 1978 is estimated (provisionally) at 53.9 per cent and is higher than for periods in the 1950s and 1960s (50.9 per cent for 1955-6 to 1957-8 and 52.3 per cent for 1966-7 - 1968-9). The UK production of indigenous-type foods averaged 75.3 per cent of consumption by value over 1976-8. Table I.A.3 shows that this share varies widely between types of products and some changes have occurred since Britain's entry into the EEC, the degree of self-sufficiency having risen particularly with wheat, most meats and milk products. Of the major commodities listed, the UK is self-sufficient, or almost so, in barley, oats, pork, poultry-meat, liquid milk and eggs. However, the table does not show the imports of fertilizer, machinery and other inputs used to produce this level of output which a wider view of 'self-sufficiency' would embrace. Taking into account net trade in agricultural inputs (i.e. feed, seeds and livestock) shows that the degree of UK self-sufficiency, taking all foods together and ignoring fertilizers, machinery, and other imports has risen over the period 1966-7 - 1968-9 to 1976-8 from 46.2 per cent to 54.7 per cent, and self-sufficiency in indigenous type foods from 58.1 per cent to 68.5 per cent. Also, between 1970 and 1978 there was a rise of 150 per cent in the exports of food from the UK; they accounted for about 12 per cent of home production in 1978 compared with a 5 per cent in 1970 (MAFF Food Facts, 1979).

Table I.A.4 gives an indication of the commodity mix of UK agriculture in terms of the receipts farmers derived from their products. In 1977 some 7.3 per cent of total output represented intermediate output (feed and seed). Government production grants to farmers are excluded from the figures for total output although other government supports are included inasmuch as they impinge on market prices. About two-thirds of the output comes from livestock and livestock products and only one-third from crops, a situation which was reversed in the near-siege conditions of World War II. The largest single contributor is milk and milk products, a situation which reflects not only the pattern of demand by consumers and the comparative advantage which areas of Britain possess in producing milk from grass, but also the relative price stability afforded by the State-regulated collective milk marketing system. It is estimated that one-third of the cultivated land area (Kirk in Edwards & Rogers, 1974) is used to produce milk. Since the early 1960s the sectors to increase in relative value are cereals, beef, poultry-meat and vegetables, while eggs, milk and sheep-meat have declined; these longer-term trends, however, are subject to considerable short-term variation.

Within the range of farming uses of land, grass is predominant in the UK and covers almost three-quarters of the total farmed area. Just under one half of grassland is rough grazing; there is relatively little of it in England but in Scotland it accounts for three-quarters of the farmed area. These differences reflect climate and weather, soil type and socio-economic factors which determine the type of farming in particular areas, and result in England and Wales accounting for the overwhelming majority of the UK farming (in terms of standard labour requirements). For 1975 the figures were as follows:-

Table I.A.5

Total number of smds for UK agriculture in 1975

	million smds	per cent of total
England and Wales	150.7	80.9
Scotland	23.8	12.8
Northern Ireland	11.7	6.3
United Kingdom	186.3	100.0

Source: MAFF, 1978b

It is evident that in considering landownership and tenure from an agricultural product viewpoint, emphasis must fall upon England and Wales, and, in particular on the lowland areas; nevertheless, from environmental and other viewpoints the balance would be different.

One hundred years ago there were about one million ha of common land in England and Wales but that has since fallen by almost a half. Only a small part of that loss is the result of legal enclosure and steps are now being taken to ensure that existing commons are safeguarded for posterity, properly managed and given wider public access. Existing common rights are extremely confused but, following the Report of the Royal Commission on Commons in 1958 and the Commons Registration Act in 1965, a detailed process of investigation into and settlement of disputes regarding such rights has been set in motion. It is expected to take at least ten years to complete.

The broad geographical pattern of types of farming in the UK is illustrated in Figure I.A.7. The map categorises farming into five broad types according to the relative importance of enterprises found on them. The overall picture is of a crop-orientated, arable east and a livestock-dominated, pastoral west in which the lowlands are characterised by dairy farms, and the uplands by extensive sheep and cattle farming. However farms everywhere tend to have a number of enterprises and so are to be termed 'mixed', although specialisation has been rising over the last quarter century as production has become concentrated into fewer but increasingly larger units. The central parts of England, for example, contain mixed farming systems where the balance between livestock enterprises (principally dairying) and

Table I.A.4

Composition of total output of UK agriculture 1976 and 1977, and comparisons with two earlier periods

		Means 1959-60- 1961-62	Means 1973-4 - 1975-6	1976		1977	
		%	%	£M	%	£M	%
Farm Crops	Cereals	10.2	14.1	715	12.1	802	12.4
	Potatoes	4.7	5.2	568	9.6	359	5.6
	Sugar beet	2.4	1.6	97	1.6	133	2.1
	Hops	0.8	1.2	11	0.2	10	0.2
	Other	-	-	56	0.9	61	0.9
Horticultural Crops	Vegetables	5.5	6.7	376	6.4	454	7.0
	Fruit	2.9	2.1	110	1.9	137	2.1
	Other	1.7	2.0	108	1.8	121	1.9
	All crops	28.2	32.9	2040	34.6	2077	32.2
Livestock	Cattle	13.9	16.7	995	16.9	1063	16.5
	Sheep	5.3	4.0	240	4.1	267	4.1
	Pigs	10.3	10.9	556	9.4	641	9.9
	Poultry	4.5	5.9	344	5.8	421	6.5
	Other	0.5	0.4	24	0.4	31	0.5
	Total Livestock	34.5	37.9	2159	36.6	2423	37.5
Livestock Products	Milk and milk products	23.1	21.1	1294	21.9	1485	23.2
	Eggs	10.9	6.9	342	5.8	391	6.1
	Clip wool	1.1	0.5	24	0.4	30	0.5
	Other			10	0.2	10	0.2
	Total livestock products	35.1	28.5	1670	28.3	1917	29.7
	Sundry output	2.1	0.7	32	0.5	38	0.6
	Total output	100.0	100.0	5900	100.0	6455	100.0
	Sundry receipts and production grants			158		146	
	Changes in volume of stocks and work in progress			-88		+314	
	Gross output			5971		6915	

Sources: MAFF, 1978b and 1979.

Table I.A.6

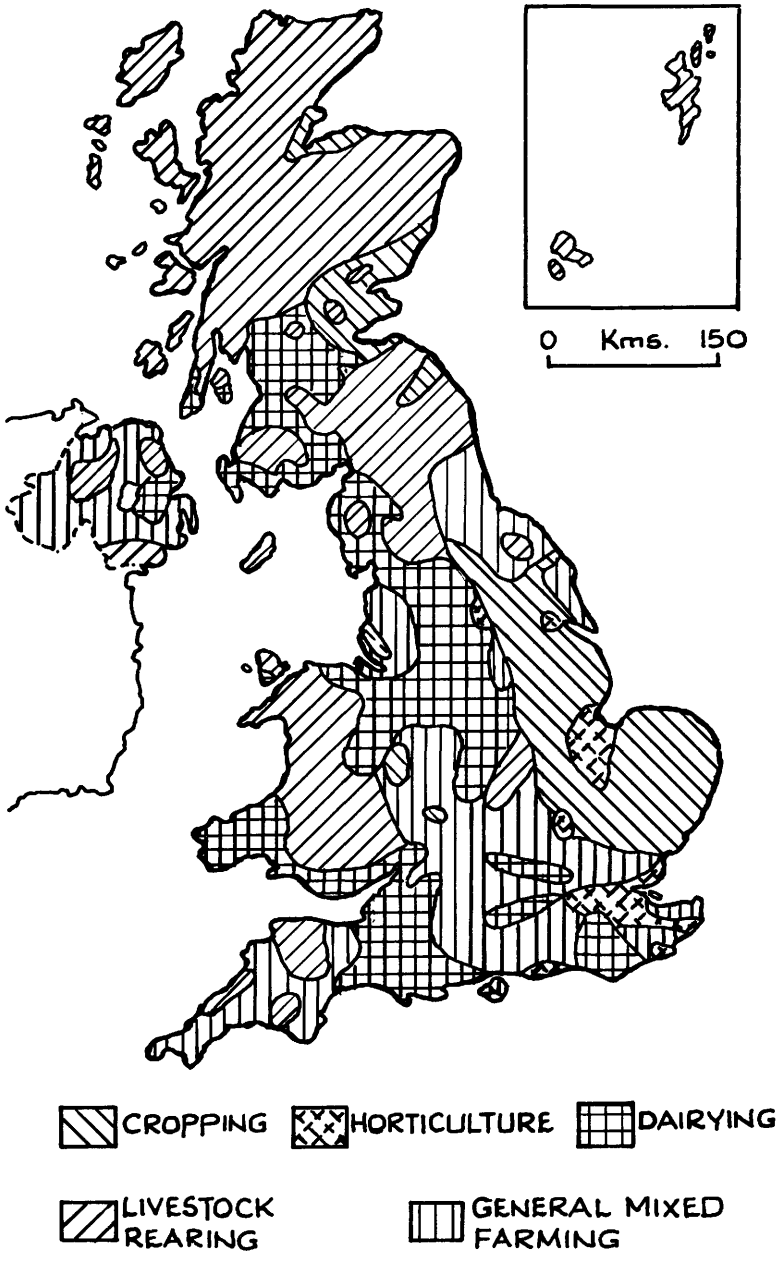
UK Crop areas at June 1976

	'000 hectares	per cent
Cereals:		
Wheat	1231	6.5
Barley	2182	11.5
Oats	235	1.2
Mixed Corn	28	0.1
Rye	8	0.0
Maize	1	0.0
Total cereals	3685	19.4
Other farm crops:		
Potatoes	222	1.2
Sugar beet	206	1.1
Oilseed rape	48	0.3
Hops	6	0.0
	482	2.6
Horticultural crops:		
Vegetables grown in the open	206	1.1
Orchard fruit	52	0.3
Soft fruit	17	0.1
Ornamentals	14	0.1
Total horticulture	289	1.5
Grass:		
All grasses under 5 years old	2154	11.3
(Total arable	6975	36.7)
All grasses 5 years old and over	5081	26.8
Rough grazing	6513	34.3
All grass	13748	72.4
Other land	419	2.2
Total area	18987	100.0

Source: MAFF, 1978b.

Figure I.A.7

Dominant systems of farming in the UK



Source: Edwards & Rogers, 1974.

crops varies according to economic circumstances and local physical conditions.

The pattern of farming is important, not only because it has direct links with the appearance of the countryside and the size and location of the rurally-employed population, but also because there are associations between farming type, farm size and tenure which could be affected by fiscal legislation which discriminates between farms of different sizes and different tenurial arrangements.

Agriculture in Northern Ireland

For the purposes of legislating and administering agricultural policy, the UK is frequently treated in three parts - England and Wales (together), Scotland, and Northern Ireland. Consequently many statistics for the three regions are published separately. In particular, Northern Ireland tends to be considered apart from Great Britain (England, Wales and Scotland together) and its agriculture has characteristics which make such a distinction convenient. About 6 per cent of the UK land area is situated in Northern Ireland; of its total area of 1.4M ha some 1.1M are used for agriculture and contribute 6-7 per cent of the UK agricultural output. However, agriculture in Northern Ireland is relatively more important than in Great Britain; it generates approximately 6 per cent of the Gross Domestic Product of the region (c.f. 2.6 per cent for the whole UK). It also engages a higher proportion of the working population (almost 10 per cent), has a unique tenure pattern and a different size structure, all of which will be referred to later.

Food production exceeds local demands and shipments from Northern Ireland make an important contribution to total UK supplies of pigmeat, beef, eggs and milk products. Physical factors of soil, drainage and climate tend to favour grassland rather than arable farming. Cereal and root crops account for less than 10 per cent of the crops and grassland area. Dairying, beef production and livestock rearing are the most important activities, but intensive livestock enterprises based on pigs or poultry have traditionally been important subsidiary enterprises in the region, mainly as a means of increasing business size on family farms with limited land area. In recent years economic pressures, in particular those resulting from increases in feed prices, have led to a reduction in the importance of pig-meat and egg production. Farming systems are tending to become more specialised and the traditional mixed farm is now less in evidence as farmers concentrate on two or three main enterprises.

Labour in UK agriculture

Labour engaged in agriculture represents only 2.7 per cent of the total national work force although occupying almost 80 per cent of the national land surface. The typical UK farm business has a very small labour force in comparison with most other UK businesses. However, since there are so many farmers, relative to hired workers, and since they usually work manually also, it is appropriate to consider farmers and hired labour together for many purposes. Table I.A.8 (MAFF, 1978a)shows that,

in 1977, the number of farmers, partners and directors, together with their spouses, engaged in farm work was almost equal to the number of farm workers. If, in turn, employed family workers are separated from hired (non-family) workers, then it can be seen that no less than 72.5 per cent of the farm work force are either farmers or members of their families.

In 1976, 77.8 per cent of all holdings (to be interpreted at present as farms) employed no full-time hired workers but most of these were small. Beyond 50 ha more than half of the holdings had hired workers, the percentage rising with holding size. Over three-quarters (77.2 per cent) of the total number of full-time hired workers in England and Wales were on holdings of more than 50 ha and 11 per cent were on holdings of over 500 ha (MAFF, 1978a). Just under half (47.9 per cent) of hired full-time workers were on holdings employing four or less full-time workers, but some 20.6 per cent were in units of 15 or more workers, although they worked on only 2.2 per cent of the total number of holdings. Most employees, therefore, find themselves in frequent personal contact with their employers, are members of small workforces and geographically dispersed - a situation very different from most other UK industries. They also enjoy significant job interest and independence of action. The combined operation of the worker/farmer relationship and the small scale of employment is thought to be the major inhibitor of trade union bargaining power in agriculture (Newby, 1972), rather than the scattered or remote nature of the membership per se. Farm workers are relatively poorly paid compared with workers in the manufacturing industries. In 1977 the average weekly earnings of adult males in agriculture represented only 77 per cent of corresponding earnings in manufacturing, although this was a few percentage points higher than the 1950-70 norm of about 70 per cent and represented a considerable improvement from the low point of 67 per cent in 1972 (MAFF, 1978a). The disparity between youths' earnings inside and outside farming since the war has been noticeably less than in the case of older workers (Gasson in Edwards & Rogers, 1974).

During the 1960s, there was an outflow of regular wholetime workers of 5-6 per cent per annum (slowing to 4.5 per cent in 1977 and 3 per cent in 1978); the drain of workers in the 21 to 45 age group to some extent marks the exodus of those who entered agriculture in search of economic rewards and who left when faced with a deteriorating position vis-a-vis industrial workers. A growing proportion of hired workers live in tied houses (34 per cent in 1948 rising to 52 per cent in 1972) which tend to be situated not in villages, but on the employer's farm.

In terms of age structure and sex composition farmer occupiers are very different from both farm workers and from workers in general. In the 1971 Census of Population, males, classed as farmers, farm managers and market gardeners in Great Britain outnumbered females by almost nine to one. The ratio for agricultural workers was over three to one whereas for the population as a whole it was nearer two to one (see Table I.A.9). The Census also showed that farmers, managers and market gardeners as a group were much older than both agricultural workers and the economically active population in general; hence, large

Table I.A.8

Number of persons engaged in agriculture in the UK[1]

At June of each year '000 persons

	Average of 1967-9	1973	1974	1975	1976	1977
Workers						
Regular Whole-time						
Hired: male	..	171	164	157	154	144
female	..	16	16	15	13	12
Family: male	..	45	39	37	35	34
female	..	15	14	13	12	8[6]
All male	297	216	203	194	189	184
All female	29	31	30	28	25	20[6]
Total	(326)	(247)	(233)	(222)	(213)	(204)
Regular Part-time						
Hired: male	..	25	24	22	21	20
female	..	26	27	26	26	25
Family: male	..	16	15	15	14	15
female	..	18	17	18	17	9[6]
All male	37	41	39	36	35	35
All female	24	44	44	44	42	34[6]
Total	(62)[3]	(85)[3]	(83)[3]	(80)	(77)	(69)
Seasonal or Casual:						
All male	34	40	39	41	45	52
All female	35	38	36	32	35	41
Total	(69)[4]	(78)[4]	(74)[4]	(73)	(80)	93
Salaried managers[2]	..	6	7	7	7	8
Total employed	456	416	398	382	377	373
Farmers, partners & directors						
Whole-time	..	222	214	212	219[5]	212
Part-time	..	66	66	68	72[5]	76
Total	..	(288)	(280)	(280)	(292)	288
Total	..	704	678	662	669	661
Wives/Husbands of farmers, partners & directors (engaged in farm work)	..	..	..	..	..	74

[1] The figures are based on returns in the agricultural census. They include some estimates for figures not directly obtainable from the Scottish census results and for that reason they differ slightly from some of the published UK census results. Because of changes in the census categories in England and Wales in 1970 & 1972, numbers returned for earlier years are not available on the same basis as those for the most recent years. Before 1977 the figures do not include the wives/husbands of farmers, partners and directors, even though the wives/husbands themselves may be partners or directors. In 1977 wives/husbands of farmers, partners and directors were returned separately, but only if they were engaged in farm work.

2 Figures relate to Great Britain only.
3 Includes seasonal or casual workers in Northern Ireland. See footnote 4.
4 Before 1975 seasonal or casual workers were not returned as a separate item in Northern Ireland, but were included with part-time workers.
5 The increase in numbers of farmers, partners and directors in 1976 occurred in England and Wales and is thought to reflect a more complete enumeration in the agricultural census.
6 The decrease in the number of regular whole-time and part-time female workers in 1977 is thought to be explained by the separate return, for the first time in England and Wales, of 'farmers' wives, some of whom were probably returned previously as family workers.

Source: MAFF, 1978a

percentages of farmers are found in older categories with 20 per cent 60 and over as opposed to 10 per cent generally.

It is known that hired farm managers tend to be younger than independent farmers, although they constitute only about 3 per cent of the total numbers of farmers. However, independent sources of information on farmers' ages have usually excluded managers, and age distributions of farmers from several such sources are given in Table I.A.11a and Figure I.A.12. They differ from the Census of Population in that they are based on surveys of farms which tend to exclude occupiers of very small units. Thus, in England in 1969, a survey of farm businesses based on a sample of holdings of two ha and above (Harrison, 1975) found that, a quarter of all farmers were of 60 years and over, for many members of society a normal retirement age, with farmers in their late 50s and early 60s the most numerous age group. The 1975 Structure Survey carried out within the EEC showed that farmers of 65 and over occupied 15 per cent of the UK's agricultural area (18 per cent of holdings) while farmers of 55 and over occupied 41 per cent (44 per cent of holdings). Scottish farmers seem even older than English (Wagstaff, 1970) but this may merely reflect the fact that the study included very small holdings. The proportion of holdings in Scotland which could be considered as 'part-time' in terms of their estimated labour requirements was considerably higher than in England and Wales (59 per cent (1968) as opposed to 46 per cent (1969)) and, it is known that the average age on these small farms is higher than on 'full-time' farms.

Elderly farmers tend to be associated with small holdings. In the UK in 1970, 17 per cent of the occupiers of holdings under 8.1 ha were aged 65 or over compared with only 9 per cent of the occupiers of larger holdings (MAFF,1977b). A MAFF census in December 1974 found that in England and Wales the proportion of whole-time farmers, partners and directors over 55 years old decreased with increasing farm size up to about 120 ha (see Table I.A.11b). This was almost equalled by a corresponding increase

in the proportion of farmers below the age of 35 while the share accounted for by the 35-54 year group remained about the same. Although there is no direct evidence, many of the young farmers, and particularly those found on the largest farms, are likely to have been junior partners or directors farming with more elderly relatives. Preliminary results from the 1975 Structure Survey give a similar picture for the whole UK. Elderly farmers (65 and over) are associated with a smaller than average farm area and appear to be less intensive users of land and labour, indicated by lower livestock units per ha. and higher labour units per 100 ha. In contrast, farmers in the 35-44 age group have the largest farms, carry more livestock and have the lowest man-to-land ratio.

A somewhat surprising feature of population statistics is that farmers in England and Wales in 1969 were apparently on average younger than they were three or four decades ago, although Whitby (1967) suggested that no drastic changes in the age structure of farmers had occurred over the past 40 or 50 years. However, in the 1950s and 1960s not only has there been a decay of the patriarchal nature of rural society, but the greater awareness of the fiscal advantages of taking a son into partnership may well have brought younger men into the 'farmers, partners and directors' category who formerly would have remained as family workers.

The socio-economic characteristics of UK farmers will be discussed later in Parts II and III in relation to their occupational and geographical mobilities and the effect these characteristics have on the transfer of land between farms. However, at this stage it is worth noting that a study in 1970 found that less than one-fifth of farmers in England and Wales held some secondary education qualification; this varied according to the age of the farmer, being highest with the younger and declining with age. (Agriculture EDC,1972).

The majority of farmers in 1970 had entered the industry as soon as they had reached the statutory school leaving age, and 70 per cent had left school by the time they were 15. Only about 10 per cent of farmers had studied for specific agricultural qualifications. Younger farmers were found to have left school later and were more likely to have been to agricultural colleges. Farmers on larger farms tended to have left school later than those on smaller ones and to have received a greater amount of specific agricultural education. Of farmers on farms of 202 ha and over almost a quarter had studied for agricultural qualifications. See Table I.A.9.

Farmers in the UK come very largely from farming families. The 1970 study referred to above found that 76 per cent of farmers had been trained on the family farm. Harrison (1975) has shown that over 83 per cent of farmers in England in 1969 had social origins in the farming community and recent work by Newby (1978) shows this to apply to a marked extent to the occupiers of very large farms. Equally characteristic of UK agriculture is the strong desire by existing farmers to pass their farms to the next generation, and this means to an increasing extent involving them in current activity as partners or co-directors of the business.

Table I.A.9

Distribution of farmers in England & Wales according to age, secondary education and agricultural training

Age	25 and under	26-34	35-44	45-54	55-64	65+
Proportion with one or more types of secon-day education	35%	29%	20.9%	14.1%	10.6%	7.8%
Size group (ha)	Less than 10	10-20	20-40	40-120	120-202	202 and over
Proportion of farmers who had studied for agricultural qualifications	10.0%	6.1%	6.2%	8.9%	16.2%	24.0%

Source: Agriculture EDC, 1972.

Farm businesses and families

The introduction of succeeding generations into the farming business is but one manifestation of what is probably the most significant feature of UK agriculture, that is, the close and often inseparable relationship between the farm family and the farm business. Later it will be shown that the personal and business wealth of farmers are frequently one and the same; that their pattern of expansion in terms of increasing capital employment and ownership gives way eventually to decreasing capital employment in a way which is strongly associated with age and career stage; that the presence of a successor is a major influence on farming policy and particularly on investment in land and fixed assets, and that, the avoidance of capital taxation to the subsequent benefit of heirs involves much activity and expense and is influential in determining tenurial patterns. Although not unique to agriculture, the personal nature of farm businesses and the intermixing of family and business affairs remains the background against which many of farming's other characteristics must be viewed.

Despite a size structure containing a preponderance of farms which would be considered large by the standards of most other EEC countries, official statistics show that UK farming is an industry operated primarily without hired labour. Three-quarters of the farms in England and Wales employ no regular hired workers (74.9 per cent in 1977) and, while many of these are small, it is only farms of 200 ha and over where more than a half hire full-time regular labour. If a 'family farm' can be taken to mean one on which hired labour accounts for less than half the total labour force, then on average in 1970-1 the

Table I.A.10

Distribution of agricultural labour and all economically active labour by age, Great Britain 1971

Age last birthday	Farmers, farm managers and market gardeners			Agricultural workers		
	Males	Females	Total	Males	Females	Total
15 - 19	2.4	1.9	2.3	14.2	7.4	12.7
20 - 24	5.2	3.4	5.0	12.3	7.0	11.1
25 - 34	16.4	10.6	15.8	18.0	16.2	17.6
35 - 44	21.4	20.2	21.2	17.7	24.3	19.2
45 - 54	23.0	29.6	23.7	15.5	25.8	17.8
55 - 59	11.4	14.2	11.7	8.3	10.5	8.8
60 - 64	10.7	9.4	10.6	7.9	5.7	7.4
65 - 69	5.3	5.4	5.6	4.3	2.2	3.8
70 +	4.0	5.3	4.2	1.8	0.9	1.6
	100.0	100.0	100.0	100.0	100.0	100.0
By sex	89.7% + 10.3% = 100%			77.5% + 22.5% = 100%		

Age last birthday	Total economically active population (all occupied)		
	Males	Females	Total
15 - 19	7.3	11.1	8.7
20 - 24	11.7	13.4	12.3
25 - 34	20.6	15.8	18.9
35 - 44	19.6	19.7	19.6
45 - 54	20.0	22.4	20.9
55 - 59	9.4	9.5	9.4
60 - 64	7.9	5.1	6.9
65 - 69	2.2	2.0	2.2
70 +	1.1	1.0	1.0
	100.0	100.0	100.0
By sex	63.5% + 36.5% = 100%		

Source: Census of Population, 1971.

(3)

Table I.A.11a

Age distribution of farmers in England and in England & Wales, various years

per cent

Age	England 1969[1] (Farmers)	England & Wales 1970[2] (Farmers, partners and directors)	England & Wales 1974[3] (Farmers, partners and directors)	Scotland[4] 1967-8 (Occupiers)
Under 20*	1.6%	1.6%		
20* - 29	10.6%	10.0%	20.4%	9%
30 - 34	8.6%	9.4%		
35 - 44	21.3%	23.8%	21.2%	17%
45 - 54	20.4%	26.0%	26.2%	
55 - 64	24.3%	20.5%	22.3%	55%
65 and over	13.2%	8.7%	9.9%	20%
	100.0%	100.0%	100.0%	100%

* 21 for EDC data.

Sources:

1 Harrison, 1975
2 Agriculture EDC, 1972
3 MAFF, 1974a
4 Wagstaff, 1970.

Table I.A.11b

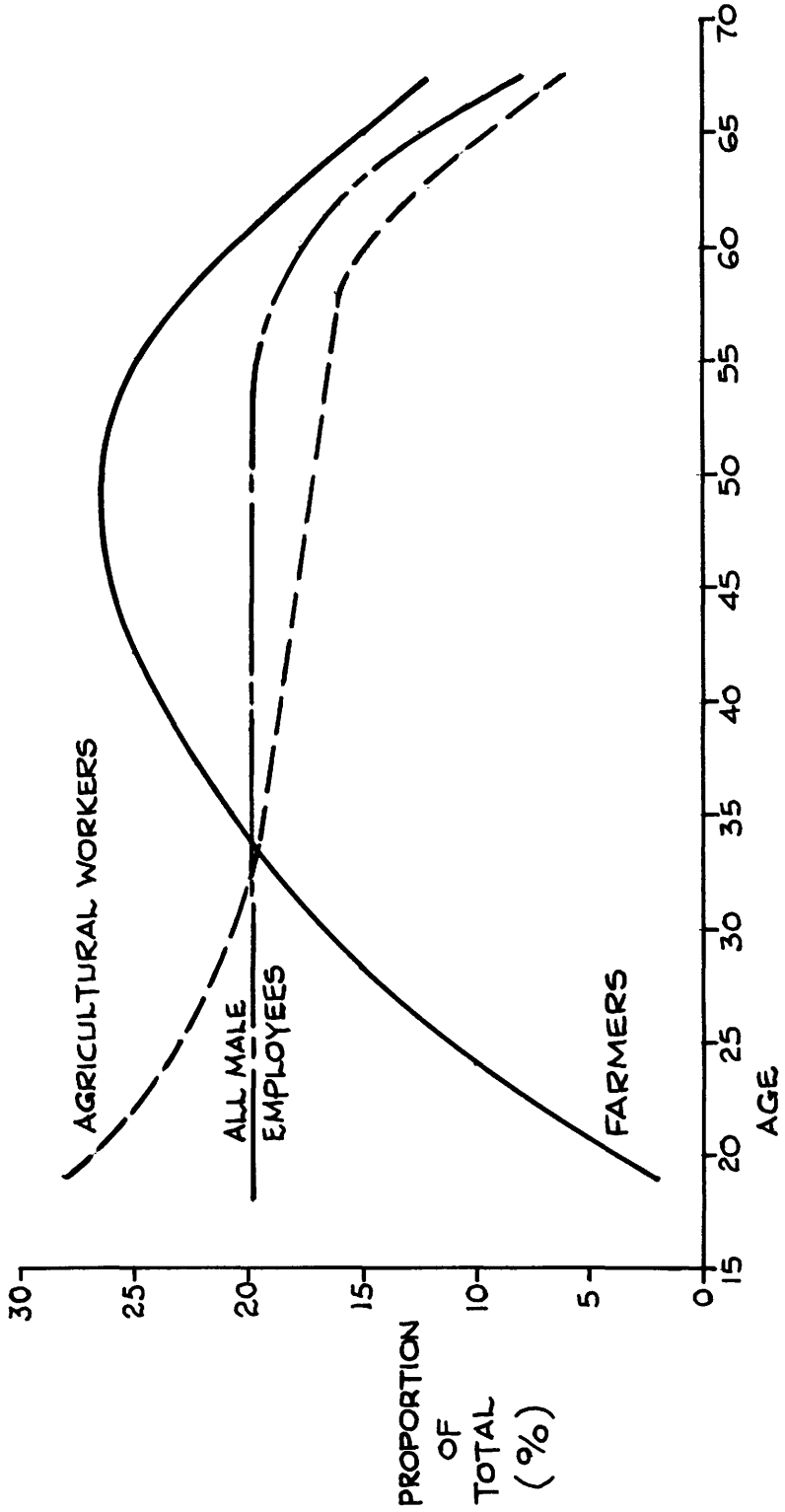
Percentage distribution of whole-time farmers, partners and directors by age groups within holding area size groups. England & Wales December 1974

Holding Size group (ha) approx.	Age Group (years)			
	<35	35-44	45-54	>55
< 20	14.9	20.7	24.5	39.8
20 - 39	19.3	22.8	25.8	32.1
40 - 59	22.9	21.1	25.5	30.6
60 - 119	25.7	21.4	24.8	28.3
120 - 199	26.7	21.4	25.1	26.7
200 - 279	28.2	22.2	23.3	27.3
280 - 399	26.3	23.6	23.9	26.3
> 400	25.1	24.1	24.3	26.5

Source: Field, 1979.

Figure I.A.12

Age distribution of farmers, agricultural workers and all male employees, England and Wales, 1969-70



Source: Agriculture EDC, 1972.

distinction between family and other farming came at about the 800-850 smd size of business approximating to a three-man farm (Britton & Hill, 1975). When farm size is expressed in these standard labour units, substance is given to the picture of British agriculture still dominated by family-sized businesses. Figure I.A.13 shows that when farms were grouped by smds in 1973, numbers fell with increasing farm size and especially beyond 550 smds (the two-man farm). If agricultural productive activity is equated to smds then two-man farms were the most important group (525-575 smds). Hence not only are family-sized farms numerically dominant in the industry, but also if a measured unit of agricultural activity (e.g. a unit of livestock or crop production) is pinpointed at random, it is most likely to be found on the two-man farm. This statistical feature should not detract from the general impression that in terms of total agricultural activity or land occupancy, although not in terms of numbers, small farms play only a small part; in 1975 farms in the one and two-man size band (275-600 smd) accounted for only 13 per cent of activity and 15 per cent of the crops and grass area whereas farms over the four-man size (1200 smd and over) contributed 50 per cent of total smds and used 50 per cent of the area, although they formed only 15.7 per cent of holding numbers (MAFF, 1977).

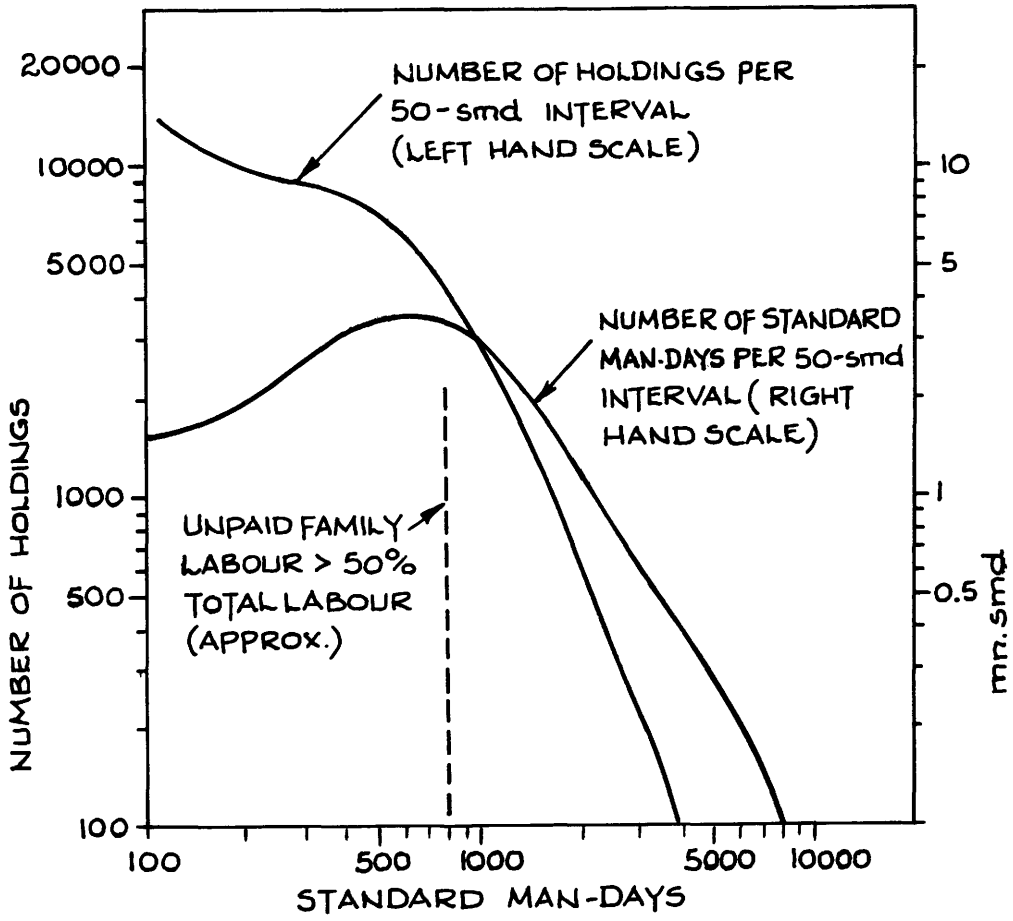
Part-time farming

The number of farms differs relatively little from the number of farmers. In 1976, of those holdings returning farmers, partners and directors, 72 per cent returned only one and 94 per cent no more than two. Clearly, the entrepreneurial function is very much an individual one. Even on holdings of 500 ha and over, 74 per cent had no more than two 'farmers'. Not all of these, however, were full-time and Table I.A.8 shows that some 25 per cent of farmers returned themselves as 'part-time' according to the definition employed in the census of population forms where a whole-time farmer, partner or director was one whose main occupation was farming and who devoted as much time to the manual or non-manual work of running a farm as would normally be spent on a full-time occupation where 40 hours represented a full working week. Departmental inquiries into the time spent by occupiers on their holdings show that, in 1975, there were some 170,000 full-time farms in the UK (130,000 in England and Wales, 23,000 in Scotland and 17,600 in Northern Ireland). The total number of holdings enumerated in the UK was just over 270,000, implying that some 100,000 holdings were not full-time according to the time-based criterion used (MAFF, 1977b).

For present purposes a more relevant criterion is the extent to which farmers depend on farming for their livelihood and a recent survey of farm businesses in England (Harrison, 1975) has shown that, on just over 30 per cent of English farms, at least one of the principals had another source of earned income besides farming. Moreover, in 73 per cent of cases the second income was from another business. A little over half of the part-time farmers claimed to work full-time off the farm, and in about eight out of ten cases where a farmer had a second source of earned income it was at least equal to - and more likely more than - farming income.

Figure I.A.13

Distribution of holdings and standard man-days by 50 smd intervals centered at different smd sizes, England and Wales, 1973



Source: Britton & Hill, 1975.

In Scotland (Dunn, 1976) there have been estimated to be about 25,000 working occupiers, 9,000 of them part-time. Where junior partners are included as business principals, the total number of working occupiers increases by 4,000 but their part-time or full-time nature is not known. However, the proportion of part-time business principals is probably about one-third in the two countries. An inquiry in 1967-9 found that the proportion of Scottish occupiers with other occupations fell markedly on holdings beyond 251 standard man-days, but even beyond the 1200 smd size 10 per cent of occupiers had another job. For a little more than half the part-time farmers on holdings greater than 250 smds, the non-farming job was their principal occupation (Wagstaff, 1970).

It is evident, then, that part-time farming is by no means restricted to the smallest farms. In Harrison's survey of English farming, although there were almost as many part-time farmers as full-time ones below 8 ha (20 acres) even among farms of over 202 ha (500 acres) there was well in excess of one part-time farm for every two full-time. An element of part-time farming could be found throughout the size spectrum. A study in Kent and Sussex found that part-time farmers adopted farming systems which made less intensive use of land than did those of full-time occupiers (Gasson, 1967). Typically they had a smaller number of enterprises, selecting those that required less daily attention; technical goals were more important than profit. Currently part-time farmers tend to have shorter occupancies than full-timers although there is evidence (Gasson, 1966) that, in times of agricultural depression such as in England in the 1920s and 1930s, they were better able to survive, resulting in their occupancies being longer than those of full-time farmers. On the other hand, part-timers tend to be less geographically mobile (Harrison, 1975) and in Scotland, older than full-time farmers (Rettie, 1975), although the latter reference uses a definition of 'part-time' based on estimated labour requirements rather than the presence of an alternative occupation. This frequently used but misleading convention of labelling a farm with less than a certain estimated labour requirement as 'part-time', makes it difficult to establish the separate relationships between age of farmer, size of farm and degree of dependence on the farm business. Additional sources of earned income inevitably play an important part, both in the estimation of the incomes of the farming members of the population, the motives behind their management and investment decisions and their occupational mobility.

Incomes of the farming sector

Farm income as conventionally calculated (NFI) forms the monetary return, not only to the farmer's entrepreneurial ability and his physical labour input but also to his capital; however, it ignores the appreciation in the value of the owner-occupier's most significant asset, land. The practice of removing landownership from the calculation of owner-occupier's incomes by imputing a rental value to land was initially a simplifying assumption which permitted the grouping of tenanted and owner-occupied farms, but it has developed into a source of confusion. There are strong grounds for believing that landownership, and in particular appreciating land values, have been reflected in and are important explanatory factors of the patterns of farming and of investment on owner-occupied farms. Setting aside the landownership aspect of farming is to exclude one of the major explanatory variables of the ways business and personal behaviour of owner-occupiers are linked. Landownership is one of the main contributors to the owner-occupier's economic welfare. A recent exercise (Hearn, 1978) estimated incomes incorporating capital gains and, using an assumed safe opportunity cost for capital, concluded that on average incomes on larger farms compared favourably with managerial incomes in other sectors, while those on smaller farms varied between agricultural and industrial manual-type earnings. Viewed against actual transfer earnings,

the incomes of farmers appeared not unattractive. This argument is further developed when considering the incomes of owner-occupiers in Part II.

On the more usual method of comparing financial returns to farming, in which a wage is imputed for the farmer's manual labour input, returns on working capital do not appear strikingly low. However, comparison of the years 1972-3 and 1974-5 suggests that the industry is characterised by variability of returns both between years and between groups (see Table I.A.14). Farming's aggregate net income is not necessarily subject to more variability than that of industries in general, nevertheless, sharp fluctuations in returns are apparent, particularly in the dairy and livestock rearing sectors and on small farms in general. The incomes of owner-occupiers and tenants are treated separately in Parts II and III respectively.

Whether a short or a long term view of monetary returns is taken, they form only part of the rewards from farming. Empirical work shows that farmers bring a strong intrinsic orientation to their activity, in which the emphasis falls on the value of doing work they like and on independence (Gasson, 1973). The generation of income (for which the farm business is seen simply as an instrument) seems to rank lower in the motives of farmers, even among those with larger businesses. Gasson found that in East Anglia smaller farmers put more emphasis on intrinsic aspects of work, particularly independence, than the larger farmers who tended to be relatively more economically motivated, although even among those the expansion of the farm business seemed to be more important than maximising present income. A recognition of the heterogeneity of the rewards flowing from farming is important to understanding reactions to changing economic circumstances, such as the insignificant impact in the UK of government schemes to encourage small farmers to retire and the unexpectedly rapid uptake of the capital grants made available from 1957 through the Farm Improvement Scheme. Factors such as the effect on the business of a farmer wishing to provide for a successor or the interaction between farming and other business interests have as yet received little quantitative attention from agricultural economists. Much of the heterogeneity, however, relates directly to the intermixing of personal, family and business affairs which characterises UK farming.

Wealth of the farming sector

Although inter-sectoral comparisons of wealth holdings are notoriously hazardous, it is fairly clear that, as a result of owner-occupation and the rise in land prices, UK farmers are among the wealthiest members of society. Harrison (1975) estimated the wealth of different members of the farming community for 1969 from his survey and found that 16 per cent of farmers and their dependent adults had net farming wealth of over £20,000 each, whereas according to Inland Revenue statistics, only 1.7 per cent of the community in general had this amount of wealth. Since that time prices of agricultural land have more than doubled. Harrison also points out that farm wealth is widely shared, in somewhat marked contrast to wealth in the community generally.

Table I.A.14

Distribution of farms by type and by size according to rate of return on tenant's capital. England and Wales 1972-3 - 1974-5

Farm type	Farm size - smds				
	275-599	600-1199	1200-1799	1800-2399	2400-4199
1972-3			per cent		
Dairy	19.7	23.1	23.8	21.4	17.1
Livestock	17.7	21.1	26.6	23.3	23.9
Cropping	12.4	19.3	20.4	20.0	17.9
Pigs and poultry	11.8	14.1	25.0	-	-
1973-4			per cent		
Dairy	5.7	13.6	14.3	15.1	17.3
Livestock	19.7	16.0	14.2	20.5	-
Cropping	30.2	34.2	32.3	33.6	30.6
Pigs and poultry	-	15.7	28.6	-	-
1974-5			per cent		
Dairy	-9.3	3.4	6.2	9.3	10.0
Livestock	-4.7	4.4	12.7	12.9	10.0
Cropping	19.4	25.4	26.4	27.8	25.7
Pigs and poultry	-	-3.8	16.9	-	17.9

Source: CAS, 1978.

In 1973 the Inland Revenue estimates of identified personal wealth showed 7.1 per cent of individuals with wealth of £20,000 and over. In that same year the average sale price of agricultural land with vacant possession was £2700 per ha, having doubled since 1969, so that even a small land holding in 1973 would have sufficed to raise its owners to among the wealthiest members of society without taking into account any additional wealth holdings by farmers in non-farming assets.

The borrowing pattern of UK agriculture

On average between 80 and 90 per cent of farming investment funds come from personal sources including reinvestment of profits, sales of assets, gifts and injections of non-farm earnings (CAS, 1978). The remainder is made up of government grants and borrowing. The business structure of UK agriculture generally precludes its raising capital direct from the capital market, and in recent years (1970-4) the banks have provided about three-quarters of additional borrowing.

In terms of overall liabilities, farming's biggest creditors are the banks; in 1974 it is estimated that they were responsible for 47 per cent of all liabilities while the AMC (the only specialist land mortgage institution) and other long-term institutional lenders accounted for a further 16 per cent (Table I.A.15). An alternative source for 1974 gives 49 per cent and 15 per cent respectively (Agriculture EDC, 1977b). In the post-war period the share accounted for by banks and AMC together has risen and has been accompanied by a decline in the relative importance of credit from relatives and agricultural merchants, although it is likely that the importance of the latter has commonly been over-estimated. Over the 1960s, and accompanying the rapid rise in land prices, lending by the AMC expanded relatively more than bank lending, approximately doubling its share of the industry's total liabilities (see Section II.D.(e).).

Of more importance than the absolute level of liabilities is the relationship between liabilities and assets and the cost of servicing loans relative to the income of agriculture. Land with associated buildings and equipment is the principal asset; it is not readily realisable but it can serve as collateral for borrowing and it has appreciated markedly under pressures at least partly originating from outside the farming economy. Nevertheless, borrowing is not high relative to assets. Overall it appears that the aggregate liabilities of agriculture amount to only about 10 per cent of total assets (see Table I.A.16). Other wealth held in non-farm form is not usually considered in estimates of the industry's financial position although it is often important.

Table I.A.15

Liabilities of UK farms for selected years

	1953		1963		1970		1974	
	£M	%	£M	%	£M	%	£M	%
Long term institutional	25	3	100	8	200	15	290	16
Banks	200	23	500	42	500	38	840	47
Other (including trade credit, private mortgages & loans & hire purchase)	655	74	590	50	620	47	650	37
Total liabilities	880	100	1190	100	1320	100	1780	100
Total liabilities at constant 1974 prices	2400		2390		1960		1780	

Sources: Bosanquet, 1967; Harrison, 1975; CAS, 1978.

Table I.A.16

Financial structure of UK agriculture in current prices 1970 and 1974

	1970			1974		
	£M	%	% of total assets	£M	%	% of total assets
Assets						
Physical:						
Land, buildings, dwellings and fixed equipment	5800		65	14530		75
Machinery, vehicles and movable equipment	800		9	1100		6
Livestock	1300		15	2200		11
Crops, cultivations, stores	570		6	800		4
Financial:						
Debtors	200		2	320		2
Cash in hand and at bank	200		2	300		2
Total assets	8870		100[1]	19250		100
Liabilities		%			%	
AMC, SASC, LIC, etc.[4]	170	14		270	15	
Building societies, insurance companies, etc.	40	3		45	2	
Bank credit	500	40		910	49	
Private and family credit	320	26		250	13	
Hire purchase	20	2		20	1	
Trade credit	200	16		370	20	
Total liabilities (long and short term)	1250	(100)	14	1865	(100)	10
Capital of the industry[2]						
Prior charge capital provided by:						
Institutional landlords[3]	na			980		
Private landlords	na			3930		
	2200		25	4910		25
Capital provided by tenant farmers and owner-occupiers	5420		61	12475		65
Total financial resources	8870		100	19250		100

1 Figures may not add up exactly owing to rounding.
2 The prior charge capital provided by landlords is calculated from the value of the tenanted area, and the proportion provided by institutional landlords is estimated to be 20 per cent of the total in 1974 (the equivalent proportions for 1970 are not available).
3 All landlords other than private.
4 AMC = Agricultural Mortgage Corporation. LIC = Lands Improvement Company.
SASC = Scottish Agricultural Securities Corporation.
na = not available.

Source: Agriculture EDC, 1977.

At the farm level the borrowing pattern is by no means uniform. In England in 1969 (Harrison,1975) the indebtedness of farmers averaged 10.7 per cent of total liabilities, but over half the farms (54.9 per cent) had no liabilities, other than the short-term deferments of payment until the end of accounting periods widespread in commerce. Only five per cent of farmers accounted for 65 per cent of all borrowings. The most heavily indebted farmers (those with liabilities more than 30 per cent of assets) tended to come from the 40.5 to 121.5 ha 'working' size group and from the 40-49 year old 'working' age group. They also tended to be full-time proprietors and to be tenants; but above all they tended to be relatively recent entrants and, in terms of total borrowings, to be owner-occupiers. This is a reflection of the rising price of land and a lack of availability of farms to rent, making it increasingly difficult to enter farming without borrowing heavily. Unlike the estimates in the previous paragraph, Harrison's work considered farms only, so that the assets of landlords of rented farms and their liabilities were not considered.

The liabilities to assets ratio of established farmers has probably been declining as a result of land prices rising faster than borrowings. This is reflected in the Agriculture EDC's indebtedness figure (including landlords' assets) falling from 14 per cent in 1970 to 10 per cent in 1974; a comparable but less reliable estimate for the industry's indebtedness for 1952-3 was a much higher figure of about 25 per cent (Cheveley & Price, 1955). The Agriculture EDC estimated that the interest cost of supporting agriculture's debt was about 2.5 per cent of total costs in 1973-4 and 1975-6; this is a somewhat higher figure than the 2.1 per cent they estimated for the late 1960s. It has been calculated (CAS,1978) that interest payments have taken a remarkably constant 13 per cent of NFI between 1953 and 1974, (NFI as conventionally calculated does not have interest costs removed) but its method of calculation may underestimate the size of the interest burden in later years compared with the 1950s. In summary, it appears that the size of farming's debt relative to its assets has tended to decline and the annual cost of the interest relative to aggregate farm income has not increased much, if at all. (Borrowings by owner-occupiers and tenants are considered separately in Parts II and III respectively and the relationships between farm incomes and mortgage repayments are examined in Part II).

I.B. The composition of UK farming by size of farm and tenure

The basic unit in official statistics of UK agriculture is the holding. It is a term frequently interpreted as synonymous with 'farm' but, surveys of agricultural businesses repeatedly expose the discrepancies between what is returned in official censuses as a separate holding and what constitutes a farm, even allowing for reasonable variations in the definition of the term 'farm'. In 1964 Harrison defined a farm 'so as to embrace such farming activities as fall within the compass of a given fund of capital.....To count as a single business unit, there must be participation in a regular and at least annual assessment of the capital position with all sectors contributing to

and competing for resources'. Hence, single ownership of several units of production probably geographically separate would not by itself be a sufficient condition to make them parts of one 'farm' (Harrison, 1965). However, before criticising the basic unit of enumeration to the extent that the unwarranted impression may be given that it is incapable of conveying any impression of the structure of British agriculture, it is appropriate to examine the patterns revealed by official statistics.

Table I.B.1. shows the numbers of holdings by size groups over the period 1968 to 1975. Several points emerge. First, Northern Ireland has a very different size structure from the rest of the UK, with relatively few large farms but a concentration between 2 and 20 ha and particularly between 6.1 and 20 ha. Second, although they are relatively few, large holdings account for a large proportion of the farmed area. For the UK as a whole holdings in excess of 202 ha (500 acres) account for less than 3 per cent of all holdings. However as figures for Britain in 1977, set out in Table I.B.2, show, although large holdings may be numerically unimportant, they occupy a disproportionate amount of land in Great Britain. In England and Wales 75 per cent of the area of crops and grass is in holdings of 50 ha and above, although they only account for 28 per cent of all holdings. At the other extreme the large numbers of holdings returned in the small size groups must be treated with caution; while more than a fifth are below 6.1 ha (15 acres) it is likely that many do not form independent units because of the phenomenon of 'multiple' holdings, discussed later. The main impact of the statistical revisions, described in the footnotes to Table I.B.1, has been on the returns of the smallest holdings, emphasising that unqualified numbers of holdings do not represent a very reliable picture of the changing composition of farming. Holdings below 30 ha account for only 13 per cent of the area yet they represent almost 60 per cent of numbers of holdings. The 25 per cent or so of holdings in the broad middle band of 50 ha to 500 ha occupy just over two-thirds of the total area of crops and grass in England and Wales. Third, from the way holding numbers have changed over time, it appears that there is a kind of 'watershed' at about 121 ha (300 acres).During the period from the mid 60s to the mid 70s covered by the table, and indeed since World War II, the number of holdings below this size has declined (after allowing for the changes in definition which have occurred, principally affecting the smallest holdings) while the number above that figure has increased. In consequence the proportion of agricultural area occupied by holdings of 121 ha and above has risen for Great Britain over the period 1965-75 from 33 per cent to 43 per cent. Northern Ireland is again different in that it has a much lower 'watershed' at around 20 ha reflecting its prevailing pattern of smaller farms. There is some evidence that in England and Wales this watershed area is rising with time (Britton & Hill,1975).

Although changing numbers of holdings may reflect, among other influences, the presence of economies of size, the figures are of cross-sections at discrete points in time and reveal nothing of the movements of farmers between size groups or the movement of land between farmers, changes in either of which could be employed to match individual capital arrays, farmer

Table I.B.1 Size distribution of holdings[1] in the UK, 1968-75 (June Census)

Number

England and Wales	Total	¼ -	5 -	15 -	50 -	100 -	150 -	300 -	500-ac
1968 ...	252,723[2]	26,762	42,103	61,310	49,184	26,335	30,661	10,529	5,839
1969 ...	242,279[3]	24,931	38,451	58,547	47,652	25,829	30,295	10,524	6,050
1970 ...	229,952[3]	24,292	34,355	54,761	45,212	24,810	29,498	10,526	6,498
1971 ...	224,457	23,381	32,938	52,835	44,234	24,521	29,241	10,592	6,715
1972 ...	216,319[4]	20,656	30,559	51,332	43,005	24,259	29,023	10,639	6,846
1973 ...	209,923[4]	18,295	28,748	50,290	42,052	23,966	28,994	10,638	6,940
1974 ...	208,534	18,376	28,617	49,699	41,676	23,626	28,864	10,653	7,023
1975 ...	203,035	16,919	26,964	48,514	40,780	23,453	28,671	10,646	7,088
Scotland									
1968 ...	53,506	10,549	12,451	8,837	7,327	4,925	6,352	2,202	863
1969 ...	53,171[3]	10,617	12,348	8,663	7,254	4,884	6,268	2,245	892
1970 ...	37,576[3]	3,311	6,285	6,901	6,801	4,838	6,277	2,254	909
1971 ...	37,224	3,419	6,144	6,775	6,635	4,791	6,248	2,277	935
1972 ...	36,926[4]	3,546	6,073	6,621	6,470	4,725	6,220	2,326	945
1973 ...	30,814[4]	2,110	3,975	5,377	5,605	4,306	5,926	2,377	1,138
1974 ...	30,727	2,225	3,961	5,298	5,532	4,268	5,938	2,388	1,117
1975 ...	30,646	2,237	3,918	5,267	5,467	4,276	5,936	2,427	1,118
Great Britain									
1968 ...	306,229	37,311	54,554	70,147	56,511	31,260	37,013	12,731	6,702
1969 ...	295,450[3]	35,548	50,799	67,210	54,906	30,713	36,563	12,769	6,942
1970 ...	267,528[3]	27,603	40,640	61,662	52,013	29,648	35,775	12,780	7,407
1971 ...	261,681	26,800	39,082	59,610	50,869	29,312	35,489	12,869	7,650
1972 ...	253,245[4]	24,202	36,632	57,953	49,475	28,984	35,243	12,965	7,791
1973 ...	240,737[4]	20,405	32,723	55,667	47,657	28,272	34,920	13,015	8,078
1974 ...	239,261	20,601	32,578	54,997	47,208	27,894	34,802	13,041	8,140
1975 ...	233,681	19,156	30,882	53,781	46,247	27,729	34,607	13,073	8,206
Northern Ireland[5]									
1968 ...	62,824	4,310	15,690	30,648	9,833	1,597	626	94	26
1969 ...	61,677	4,377	15,172	29,857	9,836	1,681	631	95	28
1970 ...	61,124	4,227	14,933	29,463	9,914	1,792	670	94	31
1971 ...	59,810	4,038	14,552	28,556	9,970	1,861	697	106	30
1972 ...	58,736[4]	3,829	14,074	28,045	10,036	1,857	760	106	29
1973 ...	52,539[4]	1,276	10,412	27,847	10,119	1,944	805	105	31
1974 ...	52,343	1,290	10,377	27,554	10,203	1,961	818	108	32
1975 ...	52,058	1,356	10,449	27,112	10,135	2,003	867	106	30
United Kingdom									
1968 ...	369,053	41,621	70,244	100,795	66,344	32,857	37,639	12,825	6,728
1969 ...	357,127	39,925	65,971	97,067	64,742	32,394	37,194	12,864	6,970
1970 ...	328,652	31,830	55,573	91,125	61,927	31,440	36,445	12,874	7,438
1971 ...	321,491	30,838	53,634	88,166	60,839	31,173	36,186	12,975	7,680
1972 ...	311,981[4]	28,031	50,706	85,998	59,511	30,841	36,003	13,071	7,820
1973 ...	293,276[4]	21,681	43,135	83,514	57,776	30,216	35,725	13,120	8,109
1974 ...	291,604	21,891	42,955	82,551	57,411	29,855	35,620	13,149	8,172
1975 ...	285,739	20,512	41,331	80,893	56,382	29,732	35,474	13,179	8,236

1 For the purpose of this analysis holdings are classified according to their area of crops and grass; holdings with no crops and grass are therefore excluded.

2 In June 1968 about 47,000 holdings with less than 10 acres of crops and grass and a negligible agricultural output were excluded from the census. These deletions were in addition to those which normally occur through amalgamation or the transfer of land to non-agricultural use.

3 Some 2,300 holdings on an acre or less in GB (of which over 200 were in Scotland) with significant output were included in the census for the first time in June 1970. This increase in numbers of holdings was,however, more than offset by a decrease resulting from the statistical amalgamation of some 10,000 holdings in E&W farmed with others as part of a single farm unit and from 1970 on returned as part of that unit; while in Scotland, about 16,000 holdings were excluded from the census as from June 1970 on the ground that they were not statistically significant (cf.footnote 2 above).

4 At June 1973 the threshold for inclusion in the census was raised from 26 to 40 smds in GB excluding from the census about 3,000 holdings in E&W and nearly 5,000 holdings in Scotland. At the same time the 40 manday concept was introduced in Northern Ireland resulting in the elimination from the census of some 8,000 statistically insignificant holdings and the inclusion of 2,000 or so holdings previously excluded (except to the extent of obtaining estimates of numbers of livestock on them) because they had less than one acre of land.The net result of these changes is therefore to exclude some 14,000 holdings in the UK.

5 The holdings referred to are, broadly speaking, units of land owned. These however, cannot be regarded as farm businesses as over 20,000 of them are either let under the conacre (seasonal letting) system and become for the time being part of other farm businesses or are so small (less than 50 smds) that they are little more than residential.

Source: MAFF,1977d.

Table I.B.2

Number and size distribution of holdings in Great Britain and its constituent parts 1977

Crops & grass size group (Ha)	Numbers ('000)			Ha ('000)		
	England & Wales	Scotland	Great Britain	England & Wales	Scotland	Great Britain
nil	4.9	1.5	6.4	0	0	0
2	14.1	2.0	16.6	14	2	16
2 -	19.6	2.9	22.5	68	9	77
5 -	23.3	2.4	25.7	167	17	184
10 -	28.3	3.1	31.4	414	46	460
20 -	22.2	2.8	25.0	550	68	618
30 -	16.6	2.4	19.0	574	84	658
40 -	13.3	2.3	15.6	593	102	695
50 -	32.4	6.6	39.0	2280	470	2750
100 -	16.6	3.7	20.3	2274	512	2786
200 -	4.2	0.8	5.0	1011	190	1101
300 -	2.3	0.3	2.6	865	117	982
500 -	0.6	0.1	1.1	326	43	719
700 and over	0.4			350		
Total	199.1	30.9	230.0	9488	1661	11149

Source: MAFF, 1978e.

skills and land areas without involving any alteration in the overall numbers and sizes of holdings. The dynamics of the situation could only be revealed by a 'longitudinal' approach beyond the scope of the present census procedure. The present postal census is still largely orientated towards collecting data on total agricultural output by county and parish.

Farms and Holdings

Attempts have been made to encourage farmers to complete one census form for all the land occupied by them, and amalgamation of 'multiple' holdings noticed by census administrators has occurred. Some 10,000 holdings in England and Wales (4% of the total) disappeared from MAFF registers as the result of 'statistical amalgamations' between 1969 and 1970; this was a catching-up operation in a process that had been occurring naturally over many years. However it is by no means certain that this process has significantly improved on, let alone eradicated, the overstatement of small farms and understatement of large ones that a description by 'holdings' produces. Harrison (1975) found that, in England in 1969, the number of farms was 89 per cent of the number of holdings, in spite of an understatement of the number of farms of 121 ha and above. The bigger the farm the more their numbers were understated. (See Table I.B.3). A more recent survey in England (Hill & Kempson, 1977) revealed that 6 per cent of holdings were parts of larger farms of more than twice the size of the contacted holdings. In Scotland a similar situation exists; even when holdings run together as single businesses were amalgamated (Dunn, 1975), it was found that there remained a considerable number which were in common ownership but run as separate units. Of the total number of 32,000 'working units' in 1973 (of which 20,000 had at least 250 smds and therefore were officially 'full-time') nearly 2,500 were found to be secondary units in multiple-unit businesses. Including the parent units, the proportion of holdings in multiple-unit businesses ranged from 9 per cent in South-east and South-west Scotland to 12 per cent in the East-central region. A few years earlier, in 1968, at least 11 per cent of Scotland's farming units were found to be associated in multiple-unit businesses (Russell, 1970). Amalgamation (and fragmentation) is a continuous process but a fundamental revision of the basic unit of enumeration is required before official census results can be used as a reliable indicator of structural characteristics. Tenure studies further emphasise the need for administrative reform.

Farm structure in Northern Ireland

Because of the impact of conacre letting (a form of annual letting of land not used elsewhere in the UK) it is customary in Northern Ireland to reserve the term 'agricultural holding' for units of land-ownership and to use 'farms' or 'farm businesses' to include any adjustment for land taken or let in conacre. Thus, while there are currently about 53,000 holdings, occupying 1.1 million ha of agricultural land, in Northern Ireland about 21,000 of these are either let in conacre, thereby temporarily increasing the average size of the remaining 32,000 farm

Table I.B.3

Size distribution of holdings and of farms based on areas of crops and grass, England 1969

Size group Ha	acres	Number of holdings	%	Number of farms	%	Farms Holdings %
2 - 7.7	(5 - 19)	41,399	22.9	30,525	18.8	73.7
8.1 - 19.8	(20 - 49)	37,440	20.7	25,575	15.8	68.3
20.2 - 40.1	(50 - 99)	37,757	20.9	36,300	22.5	96.1
40.5 - 60.3	(100 - 149)	21,342	11.8	23,236	14.4	108.9
60.7 - 121.1	(150 - 299)	26,965	14.9	26,395	16.3	97.9
121.5 - 202.0	(300 - 499)	10,064	5.6	11,854	7.3	117.8
202.4 - 283.0	(500 - 699)	3,147	1.7	3,482	2.2	110.7
283.4 - 404.5	(700 - 999)	1,694	0.9	2,605	1.6	153.8
404.9 and over	(1,000 and over)	1,100	0.6	1,754	1.1	159.5
		180,908	100.0	161,726	100.0	89.4

Source: Harrison, 1975.

businesses, or are so small as to be regarded as little more than residential holdings. Although the 32,000 farm businesses occupy and farm nearly the whole of the agricultural area (95 per cent of the crops and grassland) only 17,000 of these are regarded as being full-time farms in terms of standard labour requirements. The other 15,000 smaller farms have fewer than 200 smds and may be operated on a part-time basis, although some are run by farmers with no other source of employment. Many of the occupiers of these smaller farms are elderly and others depend on social benefits to augment farming income,facts which could have important implications for structural changes in the longer term.

The 17,000 'full-time' farms occupy about 72 per cent of the land area, tend to have better quality land and to produce more efficiently, and are estimated to account for about 84 per cent of total agricultural output in Northern Ireland. By UK standards full-time farms in Northern Ireland are relatively small, their average size is less than 600 smds and they farm on average only 35 ha of crops and grass. A comparable figure for the whole UK is 114 ha. Average enterprise size tends to be much smaller also and most of the farm labour force is comprised of family workers. Hired employees, including part-time and casual workers account for less than 12per cent of all persons working on Northern Ireland farms as opposed to 57 per cent for the UK as a whole.

Although conacre enables some increase in the area of land farmed (over and above the area of land owned), even on full-time farms the amount of land available is too small in many cases to provide full-time employment from land using enterprises alone.

For this reason intensive enterprises based mainly on purchased and imported feeding stuffs have tended to be incorporated into farming systems, these include pig rearing and fattening, pullet rearing and egg production. Although such activities have shown marked structural changes in recent years resulting in fewer but larger-scale enterprises, pigmeat and egg production together still account for about a fifth of the value of agricultural output in Northern Ireland.

Farm Tenure

In the UK two forms of land tenure predominate - owner-occupation and renting. The legislation surrounding tenure is described in Section III.B,together with information on minor tenure forms, some of which, such as conacre in Northern Ireland and crofting tenure in the Highlands of Scotland, have local importance. Here we are concerned with the broad tenure picture but even in such general terms considerable confusion can be found.

According to official statistics 63 per cent of holdings in Great Britain were wholly or mainly owner-occupied in 1978 (the remainder being rented or mainly rented). This compares with 54 per cent in 1960-1 (MAFF, 1978b), 40 per cent in 1950 and 14 per cent in 1922 (MAFF, 1979). The proportion of the total farmed area of Britain in 1978 held by owner-occupiers was 57 per cent; the figures were 52 per cent in 1960-1, 38 per cent in 1950 and 18 per cent in 1922. As Table I.B.5 shows, the percentage of holdings wholly or mainly owner-occupied falls with increasing holding size but, the area of land held under owner-occupation in the two largest size groups is practically identical because of the larger average size of owned holdings in the 202.4 ha and over category.

However, such a classification fails to take into account two vitally important aspects of farm tenure in the UK. The first is that a large proportion of the land (40 per cent in England and Wales in 1977) is farmed in holdings that are a mixture of owner-occupied and rented land, a tenure category which is of greater importance among the larger holdings and which has increased since 1950 (Hill, 1974). Mixed tenure is now the most common form of tenure among holdings of 121.5 ha and over. The growth in numbers of mixed holdings of over 202.4 ha in official statistics over the 1960s reveals the important role played by mixing tenures in the structural adjustment processes of UK agriculture. However, official statistics also suggest that there has been no increase in the share of the total area accounted for by mixed tenure holdings since 1975 (see Table I.B.4).

The second, and more fundamental, aspect of tenure studies is that a classification into land owner-occupied and land rented (giving a three-category farm business classification) is far too coarse to differentiate between the many varieties of intra-family land-holding arrangements employed in achieving satisfactory inter-generation business and land transfers and tax planning on the score of both wealth and income. Official

statistics, based on census returns, purport to show the legal (de jure) pattern of tenure so that, for example, a farming partnership of father and son renting land from the father should return its land as rented. However, a major purpose of such an arrangement, which is common in the UK particularly on larger farms, is to minimise the incidence of capital taxation on inter-generation land transfers; for most practical purposes, and in particular for capital investment policy, farms under such arrangements act as owner-occupied. Although a wide spectrum of de jure tenancy relationships are found to exist within families, to classify most of them with the 'regular' arrangements, in which farm landlord and farm tenant are clearly independent of each other, is to understate the proportion of de facto owner-occupation.

Table I.B.4

Distribution of holdings by total area and number according to tenure. England and Wales selected years 1950-1977

Year	Entirely rented	Mixed	Entirely owner-occupied	Entirely rented	Mixed	Entirely owner-occupied
	% Total holdings			% Total area		
1950	48.7	14.8	36.5	-	-	-
1960	37.1	15.6	47.3	41.6	21.7	36.7
1970	30.7	23.1	46.2	32.7	32.7	34.6
1975	25.5	30.5	44.0	27.3	40.8	31.9
1976	24.7	29.5	45.8	27.0	40.1	32.9
1977	24.3	28.6	47.1	26.6	39.7	33.7

Source: Northfield, 1979.

Harrison (1975) has presented a de facto distribution of farms (as opposed to holdings) in England for 1969. It is shown in Table I.B.6. Numerically the largest single group was owner-occupiers, but by far the most important in terms of land area was the mixed-tenure group which accounted for 43 per cent of the total area of crops and grass. Apart from the smallest area group, the percentage of farms which were owner-occupied was of a similar order for all sizes of farms whereas the proportion of de facto rented farms fell with increasing farm size. Mixed-tenure rose in importance with farm size and was the commonest form of tenure on farms of over 40.5 ha. In comparison with the closest available official statistics (for 1970), Harrison's distribution shows a marked reduction in the numerical importance of rented farms, especially in the larger size

Table I.B.5

Number and area of holdings by tenure and size of holding (total area) - 1975[1]

Holding Size Group (Total area) Acres	Hectares	Owned or mainly owned No '000	%	Area '000 acres	'000 ha	%
Under 5	Under 2.02	12.4	70.9	20.6	12.0	66.7
5- 49¼	2.02-19.9	53.2	64.8	1,139.0	461.0	61.9
50-499¼	20.2-202.0	72.1	57.7	11,279.2	4,564.6	55.3
500 & over	202.4 & over	6.9	50.6	10,543.0	4,266.7	55.1
Total		144.7	60.7	22,990.8	9,304.3	55.5

Holding Size Group (Total area) Acres	Ha	Tenanted or mainly tenanted No '000	%	Area '000 acres	'000 ha	%
Under 5	Under 2.02	5.1	29.1	14.8	6.0	33.3
5- 49¼	2.02-19.9	28.9	35.2	702.5	284.3	38.1
50-499¼	20.2 -202.0	52.8	42.3	9,118.2	3,690.1	44.7
500 & over	202.4 & over	6.7	49.4	8,587.2	3,475.2	44.9
Total		93.5	39.3	18,422.7	7,455.6	44.5

Holding Size Group (Total area) Acres	Ha	Total Holdings No '000	Area '000 acres	'000 ha
Under 5	Under 2.02	17.5	44.4	18.0
5- 49¼	2.02- 19.9	82.1	1,841.5	745.2
50-499¼	20.2 -202.0	124.9	20,397.4	8,254.7
500 & over	202.4 & over	13.6	19,130.1	7,741.9
Total		238.2	41,413.5	16,759.8

[1] Great Britain only (practically all land in Northern Ireland is owner-occupied according to Official statistics, but, see page 30)

Note: **Mean size of holdings in the 500 acre (202.4 ha) and over size group:**

Owned or mainly owned	Rented or mainly rented
1528 acres	1282 acres
618.4 ha	518.82 ha

Source: MAFF, 1977a.

Table I.B.6.

Distribution of all farms by area of crops and grass and tenure. Raised figures, England 1969

Size group ha	(acres)	Tenure	Numbers	%	Area group %
20.2	(under 50)	Wholly owned	37,950	23.5	67.7
		Mixed-tenure	7,425	4.6	13.2
		Wholly rented	10,725	6.6	19.1
					100.0
20.2-40.1	(50 - 99)	Wholly owned	10,725	6.6	29.5
		Mixed-tenure	8,250	5.1	22.7
		Wholly rented	17,325	10.7	47.7
					100.0
40.5-121.1	(100-299)	Wholly owned	13,172	8.1	26.5
		Mixed-tenure	21,479	13.3	43.3
		Wholly rented	14,980	9.3	30.2
					100.0
121.5-202.0	(300-499)	Wholly owned	3,556	2.2	30.0
		Mixed-tenure	4,821	3.0	40.7
		Wholly rented	3,477	2.1	29.3
					100.0
202.4-404.5	(500-999)	Wholly owned	1,960	1.2	32.2
		Mixed-tenure	3,193	2.0	52.5
		Wholly rented	934	0.6	15.3
					100.0
404.9 and over	(1,000 and over)	Wholly owned	627	0.4	35.8
		Mixed-tenure	956	0.6	54.5
		Wholly rented	171	0.1	9.7
					100.0
All sizes		Wholly owned	67,990	42.0	
		Mixed-tenure	46,124	28.5	
		Wholly rented	47,612	29.5	
All sizes		All tenures	161,726	100.0	

Source: Harrison, 1975.

groups, and a 27 per cent greater area of land in farms of mixed tenure.

A study of farms of 405 ha and over in East Anglia (Rose, Newby, Saunders & Bell, 1977) goes so far as to call official tenure statistics in this size group a 'fiction'. When classifying was by de jure tenure, the proportion of owner-occupied land was between 32 per cent and 48 per cent (depending on the county in question), whereas when classifying was on a de facto basis the figures rose to between 65 per cent and 76 per cent. Furthermore, the study points out a fundamental ambiguity in the instructions accompanying the postal census. Evidence taken from Hill and Kempson (1975) supports Harrison's findings that this de jure/de facto problem is by no means restricted to the large farms, although it is among these that are found the most complex, almost baroque combinations of partnerships, private companies, family trusts and other arrangements.

Further evidence of the general understatement of the importance of owner-occupation in the land tenure pattern shown by official statistics comes from a detailed survey of the Wyre Forest area of Herefordshire and Worcestershire undertaken by MAFF (Lund & Slater, 1978). Even on the basis of the Ministry's own tenure definition, farmers were found to have returned too small an area as owner-occupied in the annual June Census and correcting for this raised the proportion of owner-occupied land from 64 per cent to 69 per cent. However, the occupier and members of his family were found to have an ownership interest in some 80 per cent of the land area included in the survey. Clearly intra-family renting agreements can, if interpreted in a narrow legal manner, produce a grossly misleading tenure pattern. In Scotland, although not currently elsewhere in Great Britain, information is collected for official statistics on tenancies between close relations, and about 8 per cent of all land there falls in this category. Scotland too has in its Highland counties a type of tenure (crofting), not found in England and Wales, which contains elements of both renting and of owner-occupation (see Section III.B).

The Committee of Inquiry into the Acquisition and Occupancy of Agricultural Land (the Northfield Committee), set up by the UK Government in 1977, found itself unable to judge precisely the ratio between rented and owner-occupied land, but came to the conclusion that at least 60 per cent and possibly 65 per cent of the agricultural area of Great Britain was 'owner-occupied' in the broadest sense (either farmed in hand through managers, through partnerships or farming companies, or farmed by the owner or his family directly). The remaining 35 to 40 per cent was, on the Committee's best estimate, let commercially (Northfield, 1979).

The most striking feature of any discussion of land tenure in this country is, regrettably, that the complex structure of farm occupancy is incapable of being fitted adequately into the current inflexible pattern of official statistics.

Business form

Tenure and business form are linked, partly as part of the pursuit of tax planning. However, because they tend to be small in terms of labour force, output and working capital (although by no means small when the value of land is included),farms tend to employ the simplest business forms. Thus, in a survey of English farming in 1969, Harrison (1975) found that 67 per cent were sole proprietorships, 27 per cent partnerships and 4.2 per cent private companies; only 0.8 per cent were public companies and a further 0.6 per cent had other business forms (Prisons, remand schools and similar institutions). Figures of the same order were supplied by the Inland Revenue to the Agriculture EDC as part of the latter's study of the impact of taxation(Agriculture EDC,1978). They were:

	Sole trader	Partnership	Private & Public Company
1968-9	79%	19%	2.3%
1972-3	78%	20%	2.2%

Harrison found a clear link between business form and size of farm with proprietorships restricted very largely to the smaller units, partnerships tending to be employed for larger-sized businesses and companies being largest of all. (See Table I.B.7). Private farming companies in general differed little from partnerships except in their taxation characteristics. They were hardly ever employed to recruit either management or risk capital into the industry that could not have been equally well recruited by a partnership. Overall, 97.5 per cent of farms, small and large alike, proved to be genuinely family businesses in the sense that all the principals (where there was more than one, and taking partnerships and private companies together) were closely related by blood or marriage. A more recent estimate coming from the 1975 EEC Structure Survey is that 94.1 per cent of holdings were sole proprietorships, partnerships or private (and characteristically family) companies (MAFF,1979). Such figures reflect the general inability of persons who lack strong and tangible links with the industry from following careers as farmers.

In Scotland in the late 1960s (Wagstaff,1970), only 1.4 per cent of 'full-time', that is having a labour requirement of over 100 smds and employing at least one full-time worker, holdings were occupied by companies whose major interests lay outside farming, or by social institutions such as hospitals and schools, where capital and entrepreneurship could be channelled in from outside farming. They were biased towards the larger farms.

The very large farm in the UK

A feature of UK farms is the existence of a group of over 405 ha (1,000 acres),in more recent official statistics taken as 500 ha and over (1,236 acres). Evidence on their numerical importance is neither as readily available, nor as reliable, as the attention that they receive in the farming press would seem to imply. One novel and major development has been the growth

Table I.B.7

Distribution of farms based on areas of crops and grass and business forms. Raised figures, England 1969

Size group ha	(acres)	Business form	%
Under 20.2	(Under 50)	Proprietorships	28.1
		Partnerships	5.1
		Private Co's	1.0
		Public Co's and Institutions	0.5
20.2- 40.1	(50 - 99)	Proprietorships	15.8
		Partnerships	6.1
		Private Co's	-
		Public Co's and Institutions	0.5
40.5- 121.1	(100-299)	Proprietorships	18.3
		Partnerships	11.0
		Private Co's	1.1
		Public Co's and Institutions	0.2
121.5- 202.0	(300-499)	Proprietorships	3.0
		Partnerships	3.4
		Private Co's	0.9
		Public Co's and Institutions	0.1
202.4- 404.5	(500-999)	Proprietorships	1.6
		Partnerships	1.3
		Private Co's	0.8
		Public Co's and Institutions	0.04
404.9 & over	(1,000 and over)	Proprietorships	0.2
		Partnerships	0.5
		Private Co's	0.4
		Public Co's and Institutions	0.04
			100.(08)

Source: Harrison, 1975.

of large-scale farms through the acquisition of land by specialist land management companies for individual and group investors wishing to combine some measure of the sharing of profits from farming with capital gains from appreciating land values. However, the policies and problems of these few rapidly expanding, much publicised, large-scale farming businesses can by no means be taken as indicating the general characteristics of farms in this size group (Rosen, 1976).

Official statistics are particularly suspect at this end of the size spectrum and the numbers of large holdings quoted in them are an understatement of the real figures with problems of the definition of a farm becoming critical. Generally, however,

numbers appear to be increasing. Over the period 1968-75 holdings of 405 ha and over (total area) in England and Wales rose steadily from 1686 to 2356 and those of 811 ha and over from 317 to 428 (see Table I.B.8). Whereas in 1968 holdings of 405 ha and over in England and Wales accounted for 10.1 per cent of the total farmed area, by 1975 the figure had risen to 14.1 per cent. A change to ha breaks the series at 1975 but the trend seems to be continuing: in 1977 there were 1466 holdings of more than 500 ha occupying some 1185 thousand ha (10.8 per cent of the total area). When rough grazing is excluded, there were in England and Wales in 1977 913 holdings of 500 ha and over of crops and grass (0.5 per cent of the total numbers) occupying 676 thousand ha (7.1 per cent of the total area of crops and grass).

Table I.B.8

Numbers of and areas occupied by very large farms. England and Wales, 1968-77

	Numbers of holdings of total area		Area of England and Wales in holdings of 405 ha and over
	405-810 ha	811 ha and over	Per cent
1968	1369	317	10.1
1969	1413	323	10.5
1970	1656	364	12.1
1971	1736	379	12.7
1972	1811	386	13.1
1973	1838	393	13.3
1974	1903	421	13.9
1975	1928	428	14.1
	500-699 ha	700 ha and over	500 ha and over
1976	807	644	10.6
1977	817	649	10.8

Source: MAFF, Agricultural Statistics, various years.

An alternative criterion of size, relevant if man management is seen as a limiting factor to the efficiency of large farms, is the size of the labour force. There is evidence that, in an industrial setting, a labour force of up to thirty members can act as a 'primary group' where each member makes contact with every other member (Ingham, 1970), although greater spatial dispersal may make this figure inappropriate to farming. Very few British farms appear to approach even remotely the size of organisation where sheer numbers of workers are likely to cause communications problems. Moreover, the division of labour is far less advanced in most farming systems than in industrial organisations, so farm workers stand to gain more satisfaction through exercising control over processes and events and through

the variety of occupation inherent in the nature of farming (Gasson, 1966).

Table I.B.9

Numbers of holdings and numbers of workers by size of workforce. England and Wales 1970,1973 and 1977

	Whole-time hired male workers			Whole-time regular workers		
	10-14	15-19	20+	10-14	15-19	20+
1970						
No.of holdings	1163	443	596	n.a	n.a	n.a
No.of workers	13432	7366	20834	n.a	n.a	n.a
% holdings	2.2	0.8	1.1	n.a	n.a	n.a
% workers	8.7	4.8	13.5	n.a	n.a	n.a
1973						
No.of holdings	1111	385	513	1246	443	620
No.of workers	12842	6432	18547	14398	7417	25493
% holdings	2.3	0.8	1.0	2.5	0.9	1.2
% workers	9.1	4.5	13.1	9.3	4.8	16.4
1977						
No.of holdings	989	354	441	1116	419	534
No.of workers	11401	5898	15861	12863	6995	21590
% holdings	2.3	0.8	1.0	1.8	0.7	0.8
% workers	9.0	4.6	12.5	7.6	4.1	12.8

Source: MAFF, 1978d.

In 1977 only 534 holdings (0.8 per cent of all holdings in England and Wales) employed 20 or more whole-time regular workers although they accounted for 12.8 per cent of the labour force; this represents a relatively large decline in holding numbers from 620 holdings employing on that scale in 1973 (see Table I.B.9). The series is longer for holdings with 20 or more full-time hired male workers and the fall in numbers is less marked (from 596 holdings forming 1.1 per cent of all holdings and employing 13.5 per cent of total labour in 1970 to 441 holdings forming 1.0 per cent of holdings and employing 12.5 per cent of labour in 1977). Although the number of holdings employing 10 or more men has also fallen from 2202 to 1784 over the 1970-7 period they still represent only 4.1 per cent of holdings and employ almost the same fraction of the labour force (27 per cent in 1970 and 26 per cent in 1977). In summary it appears that the number of holdings employing large labour forces (large, that is, in an agricultural context) is declining in absolute terms but in 1977 they represented about the same share of numbers of holdings and only a slightly lower share of the labour force compared with 1970.

Large labour forces are associated with farms with large

surface areas although the link is not simple. In 1977 less than half (43 per cent) of the holdings of 700 ha and over had 20 or more full-time workers although most (83 per cent) had at least 10. However, almost a quarter of holdings with 20 workers or more were below 50 ha. The most rapidly increasing type of large farm seems to be that with less than 20 men.

Some comment on the relative efficiency of very large farms is appropriate here,although this means anticipating the more detailed discussion of efficiency contained in Section II.**A**. As users of national resources, farms of more than 405 ha cannot be shown conclusively to be markedly better or worse than medium-sized farms except possibly in Scotland where some falling off in efficiency is apparent in farms of more than 3000 smd (approximating to an 8-man labour force). A major handicap in assessing relative performance at this end of the size spectrum is the small number of such farms in the primary source of data for most efficiency studies, the MAFF Farm Management Survey; in 1973 there were only 88 farms of 405 ha and over (total area) in the FMS spread over a wide range of farming types. However, any estimation of the efficiency of the very largest farms is irrelevant to the formation of agricultural policy because the circumstances which lead to their creation and the characteristics of their present management tend to be unique. Even if they could be shown to be markedly more efficient, the quality of management they require is so high that there is serious doubt whether the occupiers of smaller farms, if enabled to grow, would be capable of emulating them. In addition, the physical conditions necessary to make farms of more than 700 ha technically feasible to operate are probably restricted to certain farming systems in particular locations.

On the other hand, the absence of any marked inferiority in efficiency excludes the need for any active policy to break up existing large units or to prevent the creation of new ones on the grounds of achieving a better utilisation of national resources. But, if the goal were to increase national output, a stronger case could be made; farms of 405 ha and over in each farming type produce, on average, lower outputs per ha than medium farms of the same type, although using lower quantities of total inputs per ha to do so. To achieve a rate of output similar to that of medium-sized equivalents the large farms would, of course, require more inputs and it is by no means certain that their managements could cope with the increased intensity of operation. Additionally, judged on their present intensity of land use, any increase in the real cost of the land input would affect the performance of the largest farms disproportionally severely.

Work in East Anglia over the mid-1970s by a team of rural sociologists from Essex University has proved to be a valuable source of information, not only with regard to the very large farms which were their prime consideration, but also a sample of farms of all sizes drawn from 44 parishes which acted as a 'control' (Newby et al,1978). One striking finding was the attitudes proprietors of large farms displayed towards expansion and their assessments of the existence of economies or diseconomies of large size. Some 68 per cent of farmers in the

405 ha and over sample said they would expand the size of farm if they had the opportunity (65 per cent in the all-size sample). The reasons given for the desire for expansion were diverse, but the more efficient use of resources was the single most frequently quoted reason(19.4 per cent of responses). Among smaller farms this reason was particularly prominent (41.7 per cent of reasons in the 44-parish sample). Although the attitude of both groups to the advantages and disadvantages of large size were closely similar, the remoteness and loss of control associated with large-size was seen as a disadvantage by almost half of all the large farmers (49.5 per cent of respondents of 405 ha and over as opposed to 29.8 per cent among the 44-parish, all farms sample). Whatever the general experience of problems associated with large-scale farming, including capital taxation, they seemed not sufficient to deter the wish to expand further. The extent to which this desire flows from an anticipated capital gain from landownership is not clear, but the already large farm seems to be in a highly advantageous position to achieve at least modest expansion through renting or purchase either by virtue of the greater size of its income, the strength of its capital base and borrowing position (especially in the case of owner-occupation) or the training of its management.

I.C The distribution of landownership

While statistics on farm size and tenure in the UK are generally available, although subject to criticism, some of which is central and damaging, information on landownership is scanty in the extreme. Yet it might not be unreasonable to suppose that, without a knowledge of landownership in both static and dynamic terms, far reaching capital taxes like Capital Gains Tax, Capital Transfer Tax or Wealth Tax would never be contemplated. This is not so, for our knowledge of who owns what is restricted to very broad estimates of the total areas held by only the most general categories of owners and lacks much of the details, such as the size distribution of estates within categories, which are vital to the use of such data for policy purposes. Moreover, such information as is available on a national scale results not from a systematic approach based on either a universe, as is the annual MAFF June Census of significant farming activity, or, from random samples of land parcels, but from a number of ad hoc studies of known landowners incorporating in some cases 'samples' which are inevitably biased. The Land Registry in England and Wales is incapable of supplying useful information because of its incompleteness and the nature of the information collected; a broadly similar situation exists in Scotland although it is understood that the Department of Agriculture and Fisheries for Scotland (DAFS) is in process of establishing a register of landowners for statistical purposes. Powers to permit MAFF in England and Wales to collect data on landownership have long been granted, but only recently has the Ministry exercised them; even these activities have been restricted to a small geographical area and to landowners who have co-operated voluntarily. Evidence to the Northfield Committee from several quarters persuaded it to recommend ways of improving the information available on landownership, including in the long run a full

system of land registration. In the shorter run it suggested that, among other alternatives, there should be an extension of the annual June Census in England and Wales along the lines developed in Scotland.

If this were done the Census would still remain primarily one of production, moreover it is quite clear that, at present, it is not of a form which takes into account the complexities of ownership and occupancy, many of which are important to agricultural and wider economic and social policies.

While the Northfield Report (1979) contains little new information on landownership, it is convenient to present its best estimate of the broad landownership pattern in Great Britain, drawn from a variety of disparate origins, before proceeding to a more detailed examination of the primary sources of information. Once again Northern Ireland is treated separately.

Landownership in Great Britain

The Northfield Committee's estimates of the ownership of agricultural land in Great Britain (1978) by category of owner is shown in Table I.C.1a. They concluded that private individuals, companies and trusts together owned 90.3 per cent of the agricultural area and within this category (although not indicated in the table) trusts were associated with the ownership of large areas of let land, while sole and joint ownership were predominant in the case of smaller owner-occupied holdings. Of the total, overseas nationals were thought to hold some 200,000 to 300,000 ha or just over 1 per cent of the agricultural land in Great Britain. Of the 9.7 per cent of agricultural land not in the ownership of individuals, companies or trusts, most (8.5 per cent of the total) was concluded to be held by a wide variety of types of public institutions including Central and Local Government. Some of these owners, notably the Crown, Church and colleges of Oxford and Cambridge Universities, have been owners of agricultural land for many hundreds of years; the overwhelming majority of their land is let to tenant farmers and the net rent forms part of the institutions' investment income used, in the case of the Church of England, to support the incomes of clergy. Other institutions, such as Central Government departments and nationalised industries, hold agricultural land primarily as a necessary adjunct to their operational requirements; the Ministry of Defence (111,073 ha), the National Coal Board (49,393 ha in 1977) and Regional Water Authorities (118,730 ha in 1976) are major landholders in this category and again nearly all is let. A third type of institution holds agricultural land as part of government past policy for the creation of tenanted smallholdings; in England and Wales this function is performed primarily by Local Authorities while in Scotland the Secretary of State is responsible; together, these let smallholdings account for 193,201 ha (177,201 in England and Wales and 16,000 ha in the lowlands of Scotland) with a further 154,000 ha in the Scottish highlands, most of the latter being in the form of crofts and with common grazing an important constituent. Public ownership of land is broken down into its various forms in Table I.C.1b.

Table I.C.1a

Agricultural landownership in Great Britain 1978

Category of owner	Area owned		Proportion of total
		ha	%
Private individuals, companies and trusts		16.0M	90.3
(of which holdings by foreign nationals)		0.2-0.3M	(c.1.0)
'Financial' institutions	215,000	0.2M	1.2
(of which			
Insurance companies & Property bonds	59%		
Pension funds	22%		
Property Unit Trusts	19%)		
'Traditional' institutions			
Central Government depts.	462,000	2.60	
Local Authorities	365,000	2.05	
Statutory agencies and nationalised industries	225,000	1.25	
The Crown	164,000	0.90	
Religious institutions	70,000	0.40	
Higher educational establishments	98,000	0.55	
Conservation authorities	132,000	0.75	
	1,516,000	1.5M	8.5
All owners		17.7M	100.0

Source: Northfield, 1979.

Table I.C.1b

Agricultural landownership by the public sector in Great Britain, 1978

Forestry Commission* (Agricultural land) (1977)			
England and Wales	26,500	140,040	
Scotland	113,900		
Minister of Agriculture (in England and Wales)			
Farm Settlements Estates (smallholdings)	2,600		
Land Settlement Assoc. (holdings under glass)	1,920		
Experimental husbandry farms etc.	5,000	12,047	
Miscellaneous	2,400		
(Unaccounted**	127)		
Secretary of State for Scotland			
Department of Agriculture & Fisheries for Scotland			
Lowland smallholdings (1977)	16,000		
Highlands (mainly crofts (1977))	154,000	180,286	
(Other**	8,925)		
Other departments of the Scottish Office	1,361		
Secretary of State for Wales			Central Government
Snowdon		5,349	c. 462,000 ha
Ministry of Defence		111,673	2.6% agricultural
Home Office (1977)		4,646	area of Great
Department of Industry		1,410	Britain
Department of Health & Social Security (1976)		6,592	
Local Authorities			
Statutory smallholdings (E & W) (1977)		172,681	Local Government
County Councils (1976)		31,154	c. 365,000 ha
District Councils (1976)		84,728	2% agricultural
Scottish Regional & Island Councils (1976)		59,960	area of Great Britain
New Towns (1976)		16,336	
Nationalised Industries and Statutory Agencies			Nationalised Industries and
National Coal Board (1977)		49,393	Statutory
Regional Water Authorities (1976)		118,730	Agencies
Natural Environment Research Council		26,330	c. 225,000 ha
Agricultural Research Council		5,761	1.25% agricultural
Central Electricity Generating Board (1977)		7,085	area of Great Britain
(Others **		17,741)	

* title to land held by Central Government

** by subtraction

Source: Derived from Northfield, 1979.

A fourth type of institution is represented by the Financial Institutions, a group of private corporate bodies consisting primarily of insurance companies and pension funds or closely related organisations. This type of owner has received much attention during recent years leading to the setting up by the Government of the Northfield inquiry, because of the apparent rapidity with which their share of the total landholding has been acquired; in recent years they have accounted for a substantial minority of the let land changing ownership (28.5 per cent in 1977 according to Inland Revenue statistics) but probably less than 5 per cent in the larger market for land with vacant possession. Nevertheless in total they still own only 1.2 per cent of the agricultural area of Great Britain (1.9 per cent of the area of crops and grass and some it is thought in Northern Ireland). Insofar as their motive for holding land is to generate income they are like many traditional semi-public landowning institutions. However their view of land as an investment is longer term and with the growth in recent years of the number and size of superannuation schemes there has been a steady flow of money seeking investment and fund managers have seen land as an asset with long-term growth prospects in rental income and capital value which matched their long-term liabilities. Nevertheless, land is only one of a range of possible investments and of relatively minor importance in their portfolio although their purchases are large relative to the size of the land market. The Northfield Committee concludes that financial institutions that have bought land in recent years expect that eventually 3 per cent or less of their assets will be in the form of agricultural land, although the proportion of funds currently being invested could be higher in the short and medium term.

A relatively detailed knowledge at national level about the landholdings of financial institutions and public and semi-public bodies can obscure the fact that together they account for less than 10 per cent of the total agricultural area. However, capital taxation either does not apply to them at all or they are given special tax status and so are regarded with some envy by private owners who own the remaining nine-tenths of land. Very little is known about whether they are single persons, joint owners, family trusts or companies or about the size distribution of their estates, two of a range of pieces of information which might be considered vital knowledge on which to base agricultural, fiscal and social policies. For a more detailed picture of landownership - even if an inadequate one - it is necessary to review the primary sources of information.

With the exception of (v) below, studies of landownership have concentrated on the owners of estates consisting of tenanted farms, although some land farmed by the estates themselves (in hand) will have been covered. The most recent primary sources of information on the ownership of <u>rented</u> land are:-

(i) a non-random survey undertaken on behalf of the Economic Development Committee for the Agricultural Industry relating to England and Wales in 1976 (Agriculture EDC, 1977). This study was similar to two extensive inquiries made over the years 1952-58 by the University of Cambridge which remain the most recent

data source for some aspects of landownership. (Denman, 1957 and Denman & Stewart, 1959).

(ii) a non-random survey of ownership units above 405 ha in England and Wales with interest focussed on the use of trusts by agricultural landowners (Abecassis, 1978). The results of this work are discussed in Section II.C.(c).

(iii) a study of landowning by public and semi-public institutions in the UK (Harrison, Tranter & Gibbs 1977). Parts of this study were updated and extended by the Committee of Inquiry into the Acquisition and Ownership of Agricultural Land (Northfield, 1979).

(iv) a survey relating to 1975 by the Scottish Landowners' Federation based on its membership and quoted in a discussion paper from the Royal Institution of Chartered Surveyors. According to the Agriculture EDC, although this survey provides a great amount of previously unknown information about how (Scottish) land is owned and used, it is difficult to raise to an aggregate, national level.

(v) a study of large estates in Scotland involving measurement of their areas from 1 inch Ordinance Survey maps. The boundaries of these estates were mapped in the early 1970s in consultation with their owners (McEwen, 1977).

(vi) a survey by MAFF of landownership in the Wyre Forest district of Hereford and Worcester during the first half of 1978 **mainly to assess the feasibility of a national survey provides** valuable information by attempting a complete coverage, although it relates to a restricted area.

The EDC survey of landownership in England and Wales was conducted through the AMC. Land agents who were members of the Corporation's panel of valuers and other agents were asked to supply information on a confidential basis about their clients without disclosing identities. Although the survey covered about 18 per cent of the total tenanted land in England and Wales and only slightly less of the estimated total estate numbers, the results must be viewed in the light of the manner in which the sample was selected.

The EDC survey results (Tables I.C.2 and I.C.3) reveal a complexity rather similar to that in the owner-occupied farming sector in that a number of estates, which appeared to the rest of the world to be single units, in reality consisted of more than one ownership unit, e.g. an individual landowner, a discretionary trust and a family limited company. Although the extent of this multiplicity of ownership units cannot be judged precisely, it is evident that it was present not only in the case of large estates (4,046 ha and over) but extended also through the size spectrum to estates below 202.4 ha. In addition there were instances where one ownership unit held more than one estate in different parts of the country. Clearly the description of an estate as 'land owned and managed as a single unit' (Denman & Stewart, 1957) requires further qualification if it is to be useful for both estate management and wealth distribution policy purposes.

The general picture revealed was that personal ownership, either direct or through trusts, accounted for three-quarters of the tenanted agricultural land in England and Wales with institutions owning about one-fifth. Individual ownership accounted for a third of the total area and the other non-institutional forms could largely be seen as vehicles of inter-generational land transfer and tax minimisation. Some 81 per cent of the rented land was in estates of 405 ha and over, and just over half the land in estates of more than 1214 ha.

Unfortunately the EDC publication does not present a detailed analysis of ownership by size of estate. However, it does divide estates into those owned by institutions and the remainder (predominantly personal ownership); the percentage of the area in each size category held by institutions is shown in the last column of Table I.C.3 from which it can be seen that the share of the land held by institutions initially fell with increasing estate size (although estates of below 40 ha are insignificant in the total of rented land) and then increased until the 1214 ha and over group where institutional estates accounted for a quarter of the acreage.

Table I.C.2

Distribution of estate numbers and areas of rented land by types of ownership. England and Wales sample 1976

	Nos.	%	Acres	%	Hectares
Individual landowners	764	45.6	772,780	34.9	312,866
Joint owners	96	6.1	70,961	3.2	28,729
Discretionary Trusts	254	15.5	473,251	21.4	191,600
Other trusts	265	16.1	271,268	12.2	109,825
Family limited companies	35	2.2	50,797	2.3	20,566
Institutional	212	9.9	422,432	19.1	171,025
Other	51	2.8	154,424	7.0	62,520
Total	1677	100.0	2,215,913	100.0	897,130

Source: Agriculture EDC, 1977.

Note: (i) areas refer to 'agricultural land' and are to be interpreted as the area of crops and grass and rough grazing.

(ii) institutional land holdings include all that held by public and semi-public bodies, including the Crown and Church, financial institutions and charities.

(5)

Table I.C.3

Distribution of estates by sizes, numbers and areas. England and Wales sample 1976

Size of estate ha	acres	No's	%	ha	acres	%	% held by Institutions
0.4-19.8	(1-49)	117	7.0	1,065	(2,630)	0.1	17.1
20.2-40.1	(50 - 99)	98	5.8	3,093	(7,639)	0.3	14.2
40.5-60.3	(100-149)	102	6.1	5,013	(12,383)	0.6	8.9
60.5-121.1	(150-299)	226	13.5	20,119	(49,693)	2.2	8.2
121.5-202.0	(300-499)	238	14.2	37,516	(92,665)	4.2	8.2
202.4-283.0	(500-699)	162	9.7	38,829	(95,907)	4.3	11.4
283.4-404.5	(700-999)	188	11.2	63,534	(156,928)	7.1	11.5
404.9-809.3	(1000-1999)	277	16.5	157,780	(389,717)	17.6	12.3
809.7-1214.2	(2000-2999)	116	6.9	114,046	(281,694)	12.7	19.5
1214.6 +	(3000 +)	153	9.1	456,246	(1,126,927)	50.9	24.9
Total		1677	100.0		(2,215,913)	100.0	

Source: Agriculture EDC, 1977.

Note: (i) areas refer to 'agricultural land' and are to be interpreted as the area of crops and grass and rough grazing.

(ii) institutional land holdings include all that held by public and semi-public bodies, including the Crown and Church, financial institutions and charities.

A more detailed analysis of estate size and type of owner is available only in the Cambridge work of the 1950s. A somewhat different ownership classification was used with a greater subdivision of the institutions. As in 1976, real persons dominated the pattern of ownership both in terms of numbers and of areas. However, this domination became less marked as the size of estate increased to reach a minimum for the largest estates of all (over 4,047 ha each) where the proportions held (severally) by government departments, companies and local

authorities all reached their peaks. Estates held by charities were biased towards the less-than-405 ha group and local authorities had an abnormally high proportion of their estates in the 162 - 4,047 ha group (see Table I.C.4). Figure I.C.5 illustrates these observations.

The study of Landownership by public and semi-public bodies in the UK mentioned in (iii) above (Harrison, Tranter and Gibbs, 1977) shows 18.9 per cent of the 1974 area of rented farmland in England and Wales as composed of freehold farmland rented from public and semi-public institutions (the Agriculture EDC figure was closely similar at 19.1 per cent with, admittedly, a further 'other' division), but it does not provide data on type of owner and size of estate.

Within the institutional group of owners, Harrison et al (1977) estimated that financial institutions held about 150,000 ha. The Northfield Report (1979) contains a revised estimate for December 1978 of 214,500 ha. All institutions together (public, semi-public and financial) accounted for 1.7M ha, 10 per cent of the agricultural area; much of their land is let and they therefore make a more than proportionate contribution to the latter sector, although a precise figure comparable with Harrison's, or the EDC's 19 per cent, is not given in Northfield.

Keeping for the moment to studies involving England and Wales, a major finding of the MAFF Wyre Forest Survey (vi) above was that owner-occupation was much greater than figures drawn from the June Census would suggest and that renting from close family relations provided the explanation of the discrepancy. Thus the occupier or members of his family had an ownership interest in some 80 per cent of the land area encountered in the survey, as opposed to 60 per cent when intra-family lettings were excluded and to 64 per cent given in the 1977 June Census for survey respondents. The percentage of all land owner-occupied (excluding statistically insignificant holdings) was 62 per cent for the Wyre Forest and 54 per cent for England. In terms of status of owner the distribution of land area was as follows:

	%
Individual ownerships	54
Joint ownership or partnership	20
Trusts	7
Companies (private and public)	6
Government	12

Although individual ownership was the single largest status of ownership, the mean area of land involved was small. Nearly 60 per cent of the individuals and 53 per cent of the joint ownerships and partnerships each owned less than 10 ha in total. In contrast, 46 per cent of the trusts, 36 per cent of the companies, all the central and local government departments and 67 per cent of the charities each owned more than 50 ha. It was also found that, of the holdings of over 20 ha, nearly a third had more than one separate ownership unit and 14 per cent had more than two separate ownership units. Of the holdings of over 100 ha, 56 per cent were in more than one separate

Table I.C.4

Distribution of estates by size, rent and owner type (Raised figures England and Wales, 1957)

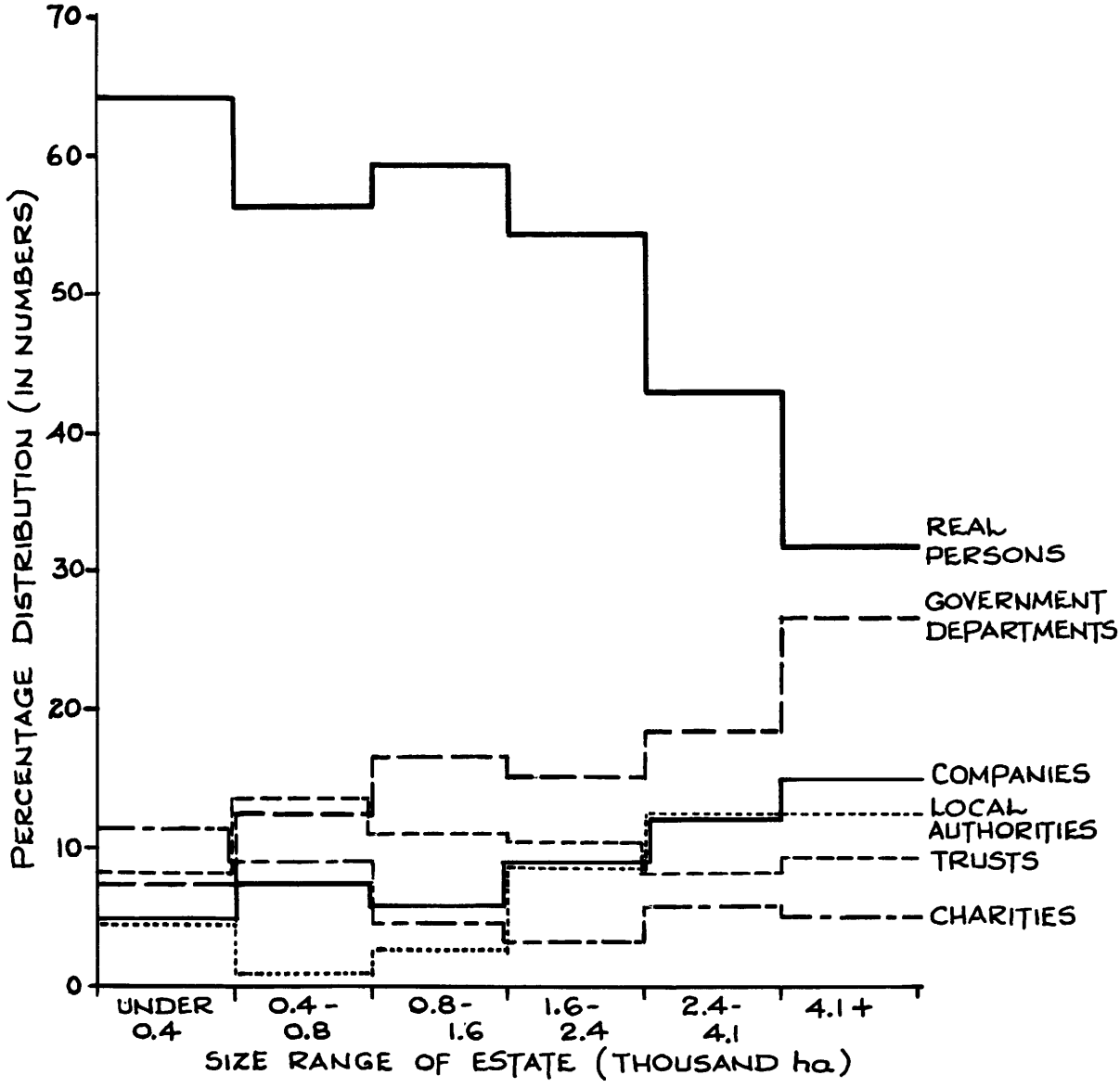
Owner Type	Estate Size (ha) 0-404.3		404.7-809		809.4-1618.4		1618.8-2427.8	
	£	%	£	%	£	%	£	%
Charity	6.18	11.2	5.73	8.9	5.68	4.5	4.84	3.0
Real persons	5.19	64.3	5.11	56.3	4.69	59.3	4.65	54.5
Trusts	4.97	8.2	5.16	13.7	5.11	11.0	4.37	10.2
Local Authority	5.29	4.4	5.66	0.9	4.10	2.8	6.99	8.4
Government Departments	5.02	7.2	4.84	12.6	4.57	16.6	4.84	15.0
Company	5.78	4.7	5.41	7.6	4.87	5.8	5.16	9.0
All Classes % nos	48.1		18.9		16.3		6.8	
All Classes % area	6.9		10.4		18.0		12.9	

Owner Type	2428.2-4046.5		4046.9 +		All	No.	Area
	£	%	£	%		%	%
Charity	5.11	5.8	5.66	5.0	100	8.5	7.0
Real persons	3.56	43.0	2.82	31.7	100	58.7	58.2
Trusts	4.97	8.3	3.29	9.2	100	9.9	11.9
Local Authority	6.89	12.4	3.90	12.5	100	4.5	3.1
Government Departments	4.94	18.2	1.38	26.6	100	11.8	10.8
Company	4.30	12.4	4.65	15.0	100	6.6	9.0
All Classes % nos	5.0		1.9		100	100	100
All Classes % area	14.7		37.1		100	100	100

Source: Denman & Stewart, 1959.

Figure I.C.5

Percentage distribution of estates according to type of ownership for different estate size groups, England and Wales, 1957



Source: Clayton, Harrison & Hill, 1967, after Denman & Stewart, 1959.

ownership unit. The mean size of separate ownerships lying within the Wyre Forest was:

Individual 21.2ha, Joint Ownership or Partnership 25.6 ha, Trusts 48.4 ha, Company (Private or Public) 34.4 ha, Government Department or Authority 203 ha, Charities 63.3 ha.

Landownership in Scotland

Information is available on the size distribution of estates and on the area owned by public and semi-public bodies in Scotland but no cross tabulation is presented which gives the often vital size/ownership information. Harrison et al (1977) show that 17.6 per cent of the rented farmland in Scotland is rented from institutions. Whereas the membership list of the Scottish Landowners Federation showed that almost half of the area owned by its members was in units of 5000 ha and over, those very large ownership units represented only about 3 per cent of members (see Table I.C.6). However, in Scotland most of the land consists of large tracts of rough grazing. Indeed, the text accompanying the Scottish table (RICS,1977) contains the note that the predominance of the larger estates is due to the major part of their land being moorland or 'deer forest'.

The large-scale characteristic of landownership in Scotland is clear from the work of McEwan (1977). This involved measuring from 1" Ordnance Survey maps with a plinimeter the areas of estates whose boundaries had been mapped by Dr. Roger Millman of Aberdeen University in the early 1970s. Table I.C.7 lists the owners of the 25 largest estates in Scotland in 1970 which covered 14 per cent of the total land area of Scotland in 1970. The top 100 estates accounted for over 21 per cent and 1,739 large estates occupied 63 per cent of the land area of Scotland. Virtually all the 25 estates shown were in existence in 1874, the majority of them being considerably larger then.

Table I.C.8 shows the regional distribution for Scotland of estates of over 405 ha each. Table I.C.9 presents the same material by region and by size of estate and shows the tendency for the largest estates to be located in the West, i.e. the crofting counties.

Table I.C.8

Estates of over 405 ha in Scotland[4] by regions

Region	No.of Estates	Area(Ha)
West[1]	536	2,490,247
North-East[2]	609	1,385,795
South[3]	594	992,554
Totals:	1,739	4,868,596

1 Caithness,Sutherland,Ross & Cromarty,Argyll and Bute
2 Moray & Nairn,Banff,Aberdeen,Kincardine,Angus and Perth
3 The Remainder.
4 Orkney and Shetland not included.

Source: McEwen,1977.

Table I.C.6

Size distribution of estates in membership lists of the Scottish Landowners Federation

Landownership in size groups from membership lists, 1975

Size in acres Size in ha	0-1233 0-499*	1234-2468 500-999	2469-12353 1000-4999
Total hectares	459,598.6	182,188	817,406
Total acres	1,135,714.1	450,204.8	2,019,892.0
No.of members	2,957	262	374
Mean area ha	155.4	695.4	2,185.6
Mean area acres	384.0	1718.4	5,400.8
% of total membership	79.7%	7.1%	10.1%
% of total area covered	16.0%	6.3%	28.5%

Size in acres Size in ha	12354-24708 5000-9999	24709 + 10000 +
Total hectares	502,743	904,322
Total acres	1,242,328.2	2,234,670.1
No.of members	71	48
Mean area ha	7,080.9	18,840.0
Mean area acres	17,497.6	46,555.5
% of total membership	1.9%	1.2%
% of total area covered	17.5%	31.5%

Total area covered by SLF: 2,866,257.6 ha acres: 7,082,809.1

Total land-holding membership: 3,712

* estimated from 50 per cent sample.

Source: RICS, 1977.

Table I.C.7

The top 25 landowners in Scotland, their estates and their sizes in 1970

		Area(ha)
Duke of Buccleuch	Buccleuch Estates	112,100
Wills Family	Wills Estates	106,435
Lord Seafield	Seafield Estates	74,868
Countess of Sutherland	Sutherland Estates	63,942
Duke of Atholl	Atholl Estates	52,610
Capt.A.A.C.Farquharson	Invercauld Estates	48,159
Duke of Westminster	Westerminster Estates	45,730
British Aluminium Ltd.	British Aluminium Estates	44,516
Lord Stair	Stair Estates	44,516
Sir D.Cameron	Lochiel Estates	39,660
Duke of Roxburgh	Roxburgh Estates	38,851
E.H.Vestey	Vestey Estates	37,637
S.Uist Estates Ltd.	S.Uist Estates	37,232
Lord Cowdray	Cowdray Estates	35,613
Liberton Properties Ltd.	Big House and Crofters Estates	34,399
Benmore Estates Ltd.	Benmore Estates	31,971
Lord Lovat	Lovat Estates	30,757
Morrison Family	Islay Estates	30,352
Duke of Argyll	Argyll Estates	29,947
Stornoway Trust	Stornoway Estates	26,305
Earl of Ancaster	Drummond Castle	26,305
Michael Berry	Attraharra Estates	25,496
Major H.Wake	Amhuinnsuidhe	25,496
Ross Estates Ltd.	Balnagowan	24,686
Major T.G.Moncrieffs	Strathmore Estates	24,282
		1,091,866

Source: McEwen, 1977.

Table I.C.9

The size distribution of estates over 405 ha by regions[1] in Scotland, 1970

Size Category	WEST		NORTH EAST		SOUTH	
	Estates	Size	Estates	Size	Estates	Size
ha		ha				ha
40,486 +	3	137,409	1	52,632	2	114,453
40,486/30,364	5	175,628	1	30,364	-	-
30,364/20,243	15	371,781	5	120,324	2	46,802
20,243/16,194	13	226,640	4	71,903	2	36,721
16,194/12,146	15	207,773	5	69,312	2	27,611
12,146/8097	30	260,486	12	113,887	4	37,854
8097/4049	95	570,121	57	309,960	23	118,259
4049/2024	102	286,194	69	187,368	79	215,223
2024/405	258	255,223	455	430,607	480	396,032
	536	2,491,255	609	1,386,356	594	992,955

Size Category	TOTALS	
	Estates	Size
ha		ha
40,486 +	6	304,494
40,486/30,364	6	205,992
30,364/20,243	22	538,907
20,243/16,194	19	335,263
16,194/12,146	22	304,696
12,146/8097	46	412,227
8097/4049	175	998,340
4049/2024	250	688,785
2024/405	1,193	1,081,862
	1,739	4,870,566

1. Regional definitions as for Table I.C.8.

Source: McEwen, 1977.

Table I.C.10

Sales and purchases of agricultural land in England
(Reported in year ended 30 Sept. 1978 approximating to sales in the calendar year 1977)

	Vacant Possession					Tenanted				
Category of purchaser or vendor [1]	Bought '000 ha	%	sold '000 ha	%	net '000 ha	Bought '000 ha	%	sold '000 ha	%	net '000 ha
Individual	98.1	71.7	113.5	82.9	-15.4	15.4	46.0	23.9	71.3	-8.5
Property company	8.1	5.9	4.3	3.1	+ 3.8	1.6	4.8	1.6	4.8	0.0
Financial institution	9.1	6.6	3.5	2.6	+ 5.6	11.0	32.8	2.5	7.5	+8.5
Other company	18.3	13.4	10.3	7.5	+ 8.0	4.0	11.9	3.6	10.7	+0.4
Public authority	1.4	1.0	2.1	1.5	- 0.7	0.3	0.9	0.6	1.8	-0.3
Other (including not known	1.9	1.4	3.2	2.3	- 1.3	1.2	3.6	1.4	4.2	-0.2
Total	136.9	100.0	136.9	100.0	(0.0)	33.5	100.0	33.6	100.0	(-0.1)

	All sales				
Individual	113.6	66.7	137.3	80.5	-23.7
Property company	9.6	5.6	5.9	3.5	+ 3.7
Financial institution	20.2	11.9	6.1	3.6	+14.1
Other company	22.3	13.1	13.9	8.2	+ 8.4
Public authority	1.6	0.9	2.7	1.6	- 1.1
Other (including not known	3.1	1.8	4.6	2.7	- 1.5
Total	170.4	100.0	170.5	100.0	(-0.1)

[1] Individuals: single individuals (usually farmers), directors of companies purchasing as individuals and occasionally two individuals
Property companies: all types of property companies and firms of builders
Financial institutions; banks, unit trusts, property boards, insurance companies, pension funds.
Public authorities: central and local government, nationalised industries and new town development corporations
Other: including foreign governments, churches, charities, executors, private trusts and trustees, schools.

Source: Northfield, 1979.

Recent trends in land acquisition

Knowledge of the existing pattern of landownership in the UK is imprecise. Moreover information on the net loss or gain by category of owner at the margin has only become available recently and that for England alone (See Table I.C.10). This is based on Inland Revenue returns, nominally covering the year ending September 1978 but, because of the time lag between sales and their being reported, approximates more nearly to the calendar year 1977. Individuals (as opposed to corporate or institutional bodies) form the largest single category of both sellers and buyers. The domination by individuals is most pronounced in the market for land with vacant possession. In the much smaller market for tenanted land, individuals were responsible for some 71 per cent of total sales but accounted for only 46 per cent of purchases with financial institutions buying 33 per cent of the total area. Sitting tenants buying the land they occupy are classed as buying let land; on purchase this land becomes, of course, owner-occupied, so that the figures may considerably overstate the relative importance of purchases of let land remaining in the tenanted sector by persons and understate that by other types of purchaser, notably the financial institutions. How much the reclassification of such sales would further reduce the already small relative size of the market in rented land, is not possible to estimate with any precision. Taking both purchases and sales together shows individuals were net vendors of agricultural land in England in 1977, while financial institutions, property companies and 'other companies' (probably some family farming companies) purchased more land in aggregate than they sold. This is particularly clear in the let-land market, where the only substantial transfers taking place involved net disposals by private individuals and net acquisitions by institutions. Public authorities sold more land than they acquired in each market.

Although financial institutions as a group have been predominantly interested in acquiring land let to tenant farmers, there is some evidence that they have recently become more interested in land with vacant possession. At the end of 1977 some 19 per cent of the institutions' land was farmed in hand or in partnership, with some single institutions farming none and others farming it all (Northfield,1979). In 1978 however, the percentage of vacant possession land in their total acquisition was higher than this; members of the British Insurance Association (the largest group accounting for 56 per cent of the 1977 total of land held by financial institutions) indicated that some 37 per cent of the 3570 hectares bought in 1978 was to be farmed in hand or in partnership.

Corresponding figures of net land transfers are not available for Wales or Scotland; Welsh data does not differentiate between vacant possession land and tenanted land while the Scottish ones neither identify the sellers by category nor include transactions involving less than 40 ha (100 acres). Using the information as it stands, it appears that in Scotland in 1977 individuals (excluding foreign nationals) bought a lower share of the land sold than did individuals in England and Wales (38 per cent as opposed to 71 per cent although foreign nationals

appear to be included in the England and Wales figure), but Public Authorities bought relatively much more (33 per cent as opposed to 1 per cent, a difference partly accounted for by purchases by the Forestry Commission). In 1976/7 the Forestry Commission purchased 4,300 ha while total Public Authority purchases for 1977 in Scotland were 13,500 ha. A feature of the Scottish figures is that purchases by foreign nationals are identified separately. In 1977 they accounted for 30 per cent of the area of land transacted (but only 5 per cent of the total number of transactions). That is a figure which has by no means been established as typical; indeed comparable figures for 1970 and 1975 were nil and 10 per cent respectively and a proportion of the sales is thought to involve transactions between foreign nationals. The Northfield Committee was 'certain' that purchases in England and Wales by foreign nationals did not take up anything like the 1977 Scottish proportion.

Individuals are estimated to own about 90 per cent of the agricultural land in Great Britain, yet they seem to be responsible for buying a smaller proportion of the 180,000 - 270,000 ha which change ownership annually. On the other hand, other forms of owner - particularly the financial institutions - seem to be buying their way into a larger share of the total area; while financial institutions in 1978 owned only 1.2 per cent of the agricultural land, they accounted for 10 per cent of the area bought in 1977 in England and Wales and 3.6 per cent in Scotland. With the annual land sales currently forming only 1-1½ per cent of the total stock, or even taking the post-war peak of 3 per cent (1952-4), such marginal adjustments can only have a slow effect. The Northfield Committee estimated that private individuals, including foreign nationals, are likely to remain the dominant force in the vacant possession market up to and beyond the turn of the century, with sales to sitting tenants taking up a significant proportion of the let land offered for sale. Agricultural land will remain, the Committee suggested, predominantly privately owned, although the public sector and the traditional and financial institutions could between them own something over 15 per cent of the agricultural area by 2020, a 50 per cent or so increase on their 1978 position. Traditional landholding institutions and public authorities are not envisaged as increasing the areas they own, but the holdings of financial institutions could rise from the current 0.2M ha to between 1.2 and 1.9M ha by 2020; the larger estimate is equal to about 11 per cent of the total agricultural area of Great Britain.

The sizes of farms under the landlord-tenant system

Rented land not only forms the area occupied by farmers who are tenants only, but also contributes part of the area of farmers who both own land and rent it.

Table I.C.11 presents the distribution of rented land according to size of holding; for the mixed-tenure holdings this includes owned and rented land together although the number of ha shown is that of the rented portion alone. It can be seen that the rented land in mixed tenure holdings is only a little less than half the area in wholly rented holdings. A quarter of the total rented area is in mixed-tenure holdings

of 60-70 ha and over and the roles and attitudes of landlords of this land seem bound to play a key role in agricultural adjustment. In the wholly rented sector, holdings of 60.7 ha and over account for one-half of the total rented area (including that under mixed-tenure) so again the identification of these owners would appear important.

Unfortunately it is not possible from published statistics to relate type of owner to the sizes of farms on their estates with any degree of precision. The Agriculture EDC (1977) survey did not collect information about the farms on the estates covered. Two regular MAFF surveys of farms on rented estates takes place, but neither publishes data on farm size in their samples in relation to size of estate or type of ownership. However, a straight comparison between the estate size distributions emerging from the Agriculture EDC (1976) survey and the 1975 Rent Inquiry is shown in Table I.C.12. While it is suspected that co-operation among large estates in the Rent Inquiry is higher than among small estates, the method of data collection, based on farms, probably leads to an overstatement of the true number of separate estates and, hence, understatement of their average size. The percentage of small estates is considerably higher in the Rent Inquiry survey.

Table I.C.11

Distribution of numbers of rented holdings and total rented area. England and Wales 1974

Size of holding	Wholly rented				Part rented			
(Ha)	No.	%	Ha (1000)	%	No.	%	Ha (1000)	%
0.1 -	4522	(7.4)	4.5	(0.1)	2307	(4.4)	1.3	(0.1)
2.0 -	6745	(11.1)	25.8	(0.7)	4851	(9.2)	9.1	(0.6)
6.1 -	2300	(3.8)	15.8	(0.5)	1879	(3.5)	6.3	(0.4)
8.1 -	3809	(6.3)	37.4	(1.1)	3385	(6.4)	15.5	(0.9)
12.1 -	6433	(10.6)	102.9	(3.0)	5323	(10.0)	37.8	(2.3)
20.2 -	12753	(21.0)	372.6	(10.8)	10331	(19.5)	131.5	(8.0)
40.5 -	7409	(12.2)	366.3	(10.6)	6703	(12.7)	139.2	(8.5)
60.7 -	10023	(16.5)	852.9	(24.8)	9766	(18.4)	340.9	(20.8)
121.4 -	3955	(6.5)	606.4	(17.6)	4583	(8.7)	300.6	(18.4)
202.4 -	1302	(2.1)	307.4	(8.9)	1783	(3.4)	189.2	(11.6)
283.3 -	779	(1.3)	259.8	(7.5)	1083	(2.0)	172.8	(10.6)
404.7 -	575	(0.9)	306.1	(8.9	811	(1.5)	200.7	(12.3)
309.4 +	152	(0.3)	186.2	(5.4)	164	(0.3)	90.3	(5.5)
Total	60757	(100)	3444.0	(100)	52972	(100)	1635.2	(100)

Source: MAFF, 1975.

Table I.C.12

Frequency distributions of numbers of estates by size from two separate studies

	Total nos.		0.4 - 201.9ha		202.4 - 404.3ha	
RENT INQUIRY (1975)[1]						
Individual	3376	(100.0)	2073	(61.4)	473	(14.0)
Institutional[3]	1452	(100.0)	1309	(90.2	80	(5.5)
Total	4828	(100.0)	3382	(70.0)	553	(11.5)
EDC (1976)[2]						
Individual	1465	(100.0)	702	(47.9)	311	(21.2)
Institutional	212	(100.0)	79	(37.3)	39	(18.4)
Total	1677	(100.0)	781	(40.6)	350	(20.8)

	404.7 - 809 ha		809- 1213.7 ha		1214.1 ha +	
RENT INQUIRY (1975)						
Individual	399	(11.8)	69	(5.0)	262	(7.8)
Institutional	38	(2.6)	9	(0.6)	16	(1.1)
Total	437	(9.1)	178	(3.7)	278	(5.7)
EDC (1976)						
Individual	243	(16.6)	93	(6.3)	116	(7.9)
Institutional	34	(16.0)	23	(10.8)	37	(17.5)
Total	277	(16.5)	116	(6.9)	153	(9.1)

Notes:
1 Rent Inquiry is the 1975 MAFF inquiry for England and Wales. The figures were provided privately by MAFF.
2 EDC is the study of ownership by agricultural landlords for 1976 (Agriculture EDC,1977).
3 The definition of 'Institutional' differs between the two sources: the MAFF inquiry includes only Ministry of Defence, County Councils and the National Coal Board. The EDC definition is much broader.

Mere snatches of information are available from other sources. An article on the MAFF Rent Inquiry sample published in Agriculture, August 1962, stated that the sample at that time covered 1786 estates comprising 20,000 farms. Of these 623 estates (35 per cent) consisted of single farms and all but 13 were below 405 ha. Who owned them was not stated, but the Cambridge findings suggest that they were largely real persons or charities. The recent publication on landownership by public and semi-public bodies in the UK (Harrison, Tranter & Gibbs, 1977) states that the holding by the Crown of 64104 ha in England is divided into 200 tenanted farms, implying a mean of 340.5 ha (841 acres); that two large financial institutions have estates of high quality arable land with average farm sizes of 275 ha and 150 ha; that the Church Commissioners hold some 66,152 ha in England with 507 farms over 20 ha (implying a mean of about 130 ha); and that Local Authorities in England, responsible for the provision of smallholdings, account for some 9,678 holdings with an average size of only 17 ha. The 1977 Annual Report to Parliament showed that Local Authorities in England and Wales provided a total of 9,346 smallholdings with an area of 167,000 ha (a mean of 18 ha). Classified by size according to estimated standard labour requirements, there were 3406 non-viable or part-time holdings (under 275 smd) 36.6 per cent by number, 2990 holdings of 275-599 smd (32.1 per cent) and 2915 of 600 smd and over (31.3 per cent). The intermediate size group was described as 'starter' holdings and less than one-third of the total numbers, those of 600 smd and over, were considered fully commercial holdings. Prompted by the Agriculture Act of 1970, plans are in hand to increase by amalgamation the number in the fully commercial group and reduce numbers with below 600 smd so that commercial units form about half of a reduced total of some 6352 holdings (Northfield, 1979). Currently some 150 smallholdings are let to new entrants to farming each year. In addition to the Local Authority smallholdings there are the smallholdings of the Farm Settlements Estates (2,600 ha) and the holdings under glass of under 4 ha, occupying 1920 ha in total of the Land Settlement Association.

In Scotland statutory smallholdings are under the control of the Secretary of State and administered by the Department of Agriculture and Fisheries for Scotland (DAFS). In 1977 the 1,118 lowland farms occupied 16,000 ha; over 40 per cent of these holdings were of less than 4 ha and the vast majority were under 40 ha. In the Highlands the DAFS managed 154,000 ha of land contained in 1736 farms, 1662 of which were crofts. About 50 per cent of crofts had less than 6 ha of land (Northfield, 1979). This heterogeneous list reflects the fragmentary state of current knowledge about landownership.

II. LANDOWNERSHIP

II.A. Owner-occupied farms, mobility and use

II.A. (a) Mobility of owner-occupiers and their land

In 1978 holdings which were wholly or mainly owner-occupied accounted for 62 per cent of all holdings in Great Britain and 57 per cent of the total area of farmland. (MAFF,1979). The proportion of wholly or mainly owner-occupied holdings in Scotland was somewhat lower than for England and Wales (in 1975 the figures were 51 and 62 per cent respectively) although the proportion of owned land was higher in Scotland (59 per cent as opposed to 54 per cent) because of the larger average size of owned farms. In Northern Ireland, according to official statistics practically all holdings are owner-occupied. However, the figures for Great Britain are an understatement of the true extent of de facto owner-occupation because of the existence of many, mainly intra-family, de jure tenancies which have been created, partly in order to reduce taxation. Nevertheless, even on the basis of official figures this represents a large change in the manner of occupation during the twentieth century. In 1911 only 12 per cent of farmland in England and Wales was owner-occupied; the figure rose to 36 per cent by 1927 largely as the result of selling by landlords, in years of low farming profits, to their sitting tenants who could have been evicted on sale to a third party. This proportion remained relatively static for the next twenty years, but has continued to rise since then, reaching 52 per cent in 1960-1 (Great Britain) and 57 per cent in 1978, although changes since 1969 have been small.

Occupational mobility of farmers - entry into owner-occupation of land

The downward trend in numbers of persons engaged in UK agriculture was particularly rapid during the 1960s when it averaged some 3 per cent,but has tended to slow down since. The trend contains two principal components - the very large fall in the number of hired workers and the more modest decline in the number of farmers. In the period 1974-7 the numbers of full-time family and hired workers in UK official statistics fell by 12.4 per cent (hired labour 11.7 per cent) whereas the decline in full-time farmers, partners and directors was only 0.9 per cent. Changes in procedure make the most recent changes in numbers of farmers difficult to ascertain but any real net fall can only have been small. In the period 1971-5 the fall in numbers of farmers was 2.1 per cent a year as opposed to a fall in numbers of full-time family and hired workers of 3.7 per cent a year (Agriculture EDC, 1977b). The combined effect of these rates of change has been to increase the proportion of the labour force represented by the farmer and his wife and the number of 'family farms' where no non-family hired labour is employed.

The small fall in numbers of farmers is the net effect of both entries and withdrawals. Harrison (1967) found that in Buckinghamshire in 1961-3 some 3 per cent of farmers retired each year and were replaced by 1.5 per cent of new entrants

to the industry giving, therefore, a net decline of about 1.5 per cent per annum. Furthermore, there were more part-time farmers - that is those who had a source of off-farm earned income - among the new entrants than among those retiring; 49 per cent of new entrants fell into this category and more than four out of five of those had non-manual sources of employment outside farming. Owner-occupation was the principal method of entry to farming. Even if these findings in the 1960s from the London-dominated county of Buckinghamshire are not typical of the UK as a whole, some important features of new entrants are clear from a number of studies; entry into farming is severely restricted principally to those who already have strong, tangible and usually family links with the industry, and to those who own resources outside farming which can be used to buy land to enable them to become owner-occupiers. Another study in Buckinghamshire in 1977 of the farmers in the area designated for the new city of Milton Keynes found that 86 per cent of the full-time farmers had parents who were farmers. The figure for part-time farmers was low at 50 per cent.

In his 1969 survey of farm businesses in England, Harrison (1975) showed that, of 6.27M ha owner-occupied, some 2.75M (44 per cent) had been inherited. Over 83 per cent of farmers had social origins in the farming community. The goal of passing the farm business to the next generation featured strongly; 76 per cent (of all tenures together) declared that a successor to their business interests was required, i.e. that they were planning for the business to continue after their retirement or death. Of these, nine out of ten had a successor positively identified, readily available, and that successor was almost without exception a member of the farmer's family. The proportion of sons succeeding their fathers on farms who have had full-time agricultural education is probably not very high. A survey by the NEDC (Agriculture,EDC 1973) put it at 10 per cent in 1969 (20 per cent for managers), a figure no different from the percentage of established farmers with this form of training, although more recent estimates favour a figure in the region of 30 per cent excluding non-full-time courses (Northfield,1979). While continuity of ownership and management for generations has the advantage for new entrants that they can draw on pooled financial resources and need not borrow heavily when they assume control of the business, there seems little reason to believe that inheritance as a method of selecting farming's business proprietors is necessarily best for the country as a whole.

Support for Harrison's general findings on the nature of new entrants comes from other studies in England and Scotland. While Harrison was concerned with entry to the industry, work by Hine and Houston (1973) concentrated on new occupiers of farms, whether they came from within agriculture or as new entrants to the industry. Using two areas in England (Devon and the East Midlands) they found that most new occupiers of full-time farms were already full-time in farming although not necessarily as independent proprietors; about three-quarters of the new-occupiers on farms of 4 ha and over belonged to this group, the remaining quarter came from outside agriculture (see Table II.A.1. A high proportion of new-occupiers especially in Devon were not new entrants to farming, but simply changing

6)

farms. About one-third of new occupiers were part-time farmers, mostly small and came from outside farming. Typically their previous occupations were in self-employment-managerial capacity, and part-time farming was seen as a way into agriculture after the accumulation of capital in a non-farm pursuit rather than a way out of full-time farming. These new occupiers of part-time farms tended to be older than farmers in general (47 as opposed to 37 in Nottinghamshire). Farmers changing farms were about the same age on average as all new entrants and Hine & Houston suggest this is because farmers at the beginning of their farming careers are more mobile. A further interesting feature of new occupiers, particularly of those moving farm, is that more of them had sons than did the established farmers, another illustration of the important link between family and business in farming. In Nottinghamshire changing farm was also characterised by moving to a larger one.

Table II.A.1

Previous occupations of new occupiers, Devon and Nottinghamshire 1961-1969

Previous Occupation	Notts			Devon			Notts	Devon
	Full-time[1]	part-time	total	full-time[1]	part-time	total		
	..... nos			..... nos			per cent	
Farming elsewhere	14	1	15	34	4	38	22	33
Farmworker elsewhere	12	2	14	14	1	15	20	13
Farmworker on present farm	14	2	16	21	2	23	23	20
Non-farm work	5	12	17	21	15	36	24	32
Not working	6	2	8	1	1	2	11	2
Total	51	19	70	91	23	114	100	100

1 Occupier working full-time on farm

Source: Hine & Houston, 1973.

In a detailed study of a small unnamed geographical area in upland Britain during 1959-62, Nalson found that 81 per cent of the farmers encountered were the sons of farmers and almost half were on farms previously occupied by relatives (Nalson, 1968). Another concentrated survey of the area designated for the new city of Milton Keynes showed that 86 per cent of full-time farmers had parents who were farmers, although the figure for part-time farmers was lower at 80 per cent.

Valuable data on the origins of farmers in East Anglia comes from a study directed at the very large farms of the area

- 405 ha and over - which also involved a control sample of farms of all sizes (Newby, 1978). It has already been established in section I.B of this Report that tenure arrangements found at this end of the size spectrum are complex with business forms dominated by private companies and partnerships, although the family still forms the predominant feature. Less immediately obvious is the finding that, in East Anglia at least, family succession seems of greatest importance of all among farms of 405 ha and over for it was found that, almost 80 per cent of these large farmers had fathers who were farmers themselves and almost half were brought up on their present farms. Compared with a random sample of farms of all sizes in 44 parishes in part of the same area, more farmers on farms of 405 ha and over had inherited their farms; more were sons of farmers; more were born and brought up on their present farms; and far more had experience on only one farm - their own and their father's before them. Their education was noticeably more orientated towards fee-paying and grammar schools (as opposed to primary education alone or secondary modern schools) and further education in the form of college diplomas in agriculture or degrees was much more common (Table II.A.2). Despite the influence of a more business-orientated approach to farming which is supposed to apply among larger farms and the publicity which a few rapidly expanding agri-businesses have attracted, the occupational (and geographical) immobility which can be shown to characterise UK farmers applies to most of the farmers at the top of the size spectrum, and perhaps in a more rather than less marked form. The explanation seems again to be related to the problem of the acquisition and control of land.

A similar picture of the background of new occupiers shown by the English studies emerges from work in Scotland for 1972-3 (Rettie, 1975). On both full-time and part-time farms (smd classification) about three-quarters of the new occupiers had come from within the agricultural industry. Those who were farmers already featured prominently (45 per cent) among new occupiers of full-time farms, whereas former farm workers accounted for nearly half of the new part-time farms. Non-farming job backgrounds were found with only 8 per cent of the new full-time farmers although, as in England, this proportion was higher among part-time farmers (18 per cent) (see Table II. A.2). Analysis by farm size showed that the proportion of new occupiers with previous experience as farm occupiers increased with increasing farm size.

Finally, the Northfield Committee Report (1979) contains some fragmentary evidence on the origins of owner-occupiers. The AMC is quoted as having made only 1-2 per cent of its total lending since 1970-1 to young people setting themselves up in farming for the first time, presumably as owner-occupiers, as the AMC is concerned only with land purchase and improvements. Raising AMC estimates to national level suggests that, over the 1970s there have been approximately 500 'new purchases' a year as opposed to a much larger number of purchases by farmers adding to their existing holdings. These 'new purchases' formed part of the 1000-1500 opportunities for entry into agriculture as farmers or managers which the Committee estimated

Table II.A.2

Characteristics of occupiers of farms of 405 ha and over compared with an all-size sample, East Anglia

	405 + ha %	44-parish sample %
Inheritance of land as a source of initial capital (non-owners excluded)	69.5	60.4
Father was farmer	80	72
Brought up on present farm	47.5	33.3
Education:		
Grammar or fee-paying	90.2	56.1
Agricultural Diploma/degree holding	45.1	15.8

Source: Newby et al, 1978.

Table II.A.3

New occupiers - previous employment, Scotland

Previous employment	Full-time		Part-time	
	Number in sample	% of total full-time	Number in sample	% of total Part-time
Farm worker	23	32	13	46
Farm occupier	32	45	8	29
Other work	6	8	5	18
Not employed[1]	11	15	2	7

1 'Not employed' comprises: unemployed, at school, college, etc. or 'other categories'.

Source: Rettie, 1975.

(although with little confidence) arise annually from all sources (as owner-occupiers, tenants or managers). Unfortunately, the social origins of those who managed to become new owner-occupiers or how they acquired the large amount of equity necessary before an approach to the AMC could even be contemplated were not stated. The general conclusion of the Northfield Committee regarding entry to owner-occupation is also that of Harrison and others - the costs are so high that entry to farming in this way is virtually restricted to members of landowning families and those with other large fortunes. They also point out that the relationship between interest rates

and land prices had made new entry by owner-occupation look expensive throughout the post-war period moreover, increasing farm and enterprise size, rising land prices and interest rates, could raise the cost of entry to those not already involved in farming even further.

Exit from farming

In the broadest of terms, it appears that, in Great Britain, death and retirement together account for between a half and two-thirds of farms which become available, although this proportion may well be higher in Northern Ireland (Nalson 1968, Simpson, 1968, Agricultural Adjustment Unit, 1968). However, studies in this area have generally been small-scale and have not distinguished between the tenures, so that little firm evidence is available on what types of owner-occupiers cease to be independent business operators. Harrison's figure for 'retirements' of about three per cent per annum (of farmers on farms of all tenures) includes deaths as well as selling up or handing to a successor; but the disappearance of farmers by death alone might be expected to be of the order of one and a half percent if there was no occupational retirement. The practice of fathers and sons forming farming partnerships with the younger man gradually assuming greater control, makes for difficulty in deciding when formally to classify the elder as 'retired'. This is reflected in the older age structure of farmers than of agricultural workers (see Tables I.A.9 and I.A.10). Barriers to mobility to off-farm occupation increase substantially among small farmers over the age of 50 (Gasson, 1969).

Scotland provides some statistics on the ages and post-exit activities of outgoing occupiers, although not all of these are leaving the industry and owner-occupiers are not distinguished from tenants. Rettie (1975) showed in a sample of farms that over the period 1972-4, half of the occupiers leaving full-time farms were aged 65 or over, and, of the remainder half were over 55 (see Table II.A.4). In part-time farming a somewhat higher proportion of those leaving were 65 and over. Those leaving medium sized farms (600-199 smd group) were older than those leaving larger or smaller full-time farms. The concentration of outgoers into the upper age group suggests that a high proportion of occupiers leave farms only on retirement. Of the farmers of 65 and over in the Scottish sample, none took up other employment; taking all outgoers together, 60 per cent retired. Of outgoers below 65, some 40 per cent were known to be still economically active, and of these two-thirds remained in agriculture with another farm occupancy as the most frequently occurring form of new employment. Only 13 per cent of this below-65 group took a non-agricultural job. Taking both the characteristics of entrants and outgoers, the conclusion must be that in Scotland at any rate the transfer of occupiers either from or to non-agricultural employment is of little general significance to the industry at aggregate level.

In England and Wales, where the nature of outgoers may not exactly mirror the Scottish situation because of institutional

Table II.A.4

Percentage distribution of outgoers by ages, farm types and size groups Scotland 1972-4

Age Group (years)	Farm type			Farm size (smd requirement)				
	Hill & upland farms	Other full-time	Part-time	Less than 100	100-249	250-599	600-1199	1200 & over
Less than 36	10	8	4	7	0	10	8	18
36-45	3	8	18	20	17	6	4	0
46-55	12	11	0	0	0	17	4	18
56-64	25	22	15	13	17	20	23	27
65 and over	50	51	63	60	66	47	61	37

Source: Rettie, 1975.

differences, Hine & Houston (1973) found that, while it is commonly accepted that enforced retirement in British farming is infrequent, among farmers on small farms (100-600 smd) aged 60-64, almost half expected to retire within five years (39 per cent in the Central Midlands and 50 per cent in Devon). Among owner-occupied farms of all sizes total or partial retirement as a reason for land being made available outnumbered death (by two and a half to one in Devon but by less in Nottinghamshire); among tenants retirement was even more important. The practice of 'conventional' retirement rather than continuing in farming until death seems to have been on the increase (Gasson, 1969) although this is probably, at least in part, a formalising of the gradual run-down in activity by older farmers and the assumption of responsibility by sons which has always occurred.

Experience of non-farm jobs has been found to be important in making farmers more aware of their financial positions (Gasson, 1969). The Agriculture EDC (1972) study of manpower in agriculture found that for 86 per cent of farmers their first regular job after leaving school was in farming, and that the average age of entry to farming (though not as farmers) was around 15. Around 14 per cent had experience elsewhere and their average age of entry was 28; many took pig and poultry holdings. Four per cent of farmers had undertaken some professional training outside farming, and 8.5 per cent held non-farming qualifications or had studied non-agricultural subjects. Since it is likely that many of those with professional qualifications were already part-time farmers, the ability of full-time farmers to switch occupations is probably severely limited by age and lack of suitable education and experience.

In those sectors of the industry where out-migration might be expected, particularly of small owner-occupiers whose current

incomes are low and where the presence of successors is lacking - Harrison found that in 1969 40 per cent of all farmers without a successor available were owner-occupiers whose farms averaged only **17.8 ha** - there are many reasons why farmers are reluctant to leave. Ruth Gasson (1974) stated that, farmers probably had less to gain and more to lose by leaving agriculture than had hired workers for, in addition to changing occupation (where that was feasible) they had to dispose of their farm businesses. Since the salvage value of capital assets apart from land is often below acquisition value, moving could involve a capital loss especially in times of recession. On the other hand, if the economy were buoyant and there were plenty of employment opportunities elsewhere, the farming outlook would be brighter also and farmers might feel reluctant to quit.

Among the more probable explanations applying in the 1970s would seem to be inertia resulting from advancing age, lack of formal qualifications and experience in other fields, ignorance of conditions elsewhere and the non-monetary advantages of an independent rural life. Lack of suitable employment alternatives seem to be a barrier and areas with high proportions of marginal farms (mid-Wales, Northern Ireland) also suffer from high levels of general unemployment. The security of holding an asset which is appreciating in real terms is an important reason why owner-occupiers remain in farming.

Geographical mobility of owner-occupiers

One of the more striking features of UK farming's management structure is the very limited geographical experience it has encountered, but again the quantitative information is limited. Harrison found in 1969 that 96.8 per cent of farmers (taking the oldest business principal as the farmer) had made no more than one move in their career and 78.9 per cent were on the same farm as the one on which they had begun their careers. Only 2.4 per cent had farmed on their own account more than 100 miles from their present farm, and many of these larger relocations were associated with the period of agricultural depression in the 1930s. Nalson, in his study of an upland farming area dominated by small businesses, found that 70 per cent of farmers had not moved during their careers (Nalson,1968). At the other end of the farm size spectrum, a survey of farmers in East Anglia during the mid-1970s (Newby et al,1978) showed a broadly similar picture of low mobility with almost half of farmers with 405 ha and over having been brought up on their present farms; in a sample of all sizes of farm from 44 parishes in the same area, the corresponding figure was one third, suggesting a lower geographical mobility by large farmers. However, both samples were similar in that just over half the farmers in each had been brought up in their present or neighbouring parish. Only 23 per cent of large farmers had been brought up more than 50 miles away from their present farms, 25 per cent in the 44-parish sample. Very few of the respondents were born in urban areas and most of those who did not have a lifetime's association with their farm were at the very least born in East Anglia.

In Harrison's survey of farmers and farm businesses in England (Harrison, 1975), farmers on wholly owner-occupied farms were found to have been marginally less geographically mobile than tenants, measured in terms of the proportion of farmers in that tenure who had never moved. Mixed-tenure farmers were noticeably more mobile than either single tenure (see Table II. A.5), being relatively numerous among those who had moved and especially among those who had moved more than once. These figures, however, relate to farmers of all ages and must be viewed against the legal and economic conditions prevailing over their total period as farmers and which need not necessarily apply in the late 1970s and 1980s. The growth of owner-occupation has probably caused farmers to become increasingly reluctant to make whole-farm changes - although perhaps not area changes - as part of the continuing process by which they adjust their scales of business operations to changing needs and opportunities. In addition, taxation introduced in the 1960s has probably, despite concessions, discouraged land sales until the size of the land market has been reduced to about 1.5 per cent of the total stock each year (see Figure II.A.6). During the period in question there was no legislation providing for close relations to inherit tenancies in England and Wales until the Agriculture (Miscellaneous Provisions) Act, introduced to Parliament in 1976; this Act seems bound further to reduce the already limited geographical mobility of tenants.

Despite the low overall geographical mobility of farmers, Hine & Houston (1973) found pockets where mobility was apparently high; in Devon for example, over the period 1960-9, owner-occupiers' inter-farm mobility was relatively high. Almost a quarter of land vacated and subsequently purchased becoming available in that way. In Nottinghamshire, with its structure less dominated by the smaller farm, the corresponding figure was 17 per cent. In contrast it was found that changing farm was of much less importance as a source of land becoming available among farms which were subsequently occupied by tenants (in Devon and Notts. 10 per cent and 8 per cent respectively) suggesting that, as a group, tenants were relatively less mobile than owner-occupiers. This conflicts with the evidence from Harrison (1975) for England as a whole which found tenants more mobile than owner-occupiers, but finds support in a study of farmers in the Milton Keynes area of Buckinghamshire where it was found that 55 per cent of tenants occupied the farm previously worked by their parents as opposed to 32 per cent in the cases of owner-occupiers. The proportion of tenants with farming experience on other farms was 32 per cent and of owner-occupiers 39 per cent. A further interesting finding by Hine & Houston (1973) is that the rate of turnover of farms (for all reasons) averaged 5 per cent per annum but varied considerably between farms of different sizes, in general being highest on the smallest farms (over 6 per cent per annum) and declining with increasing area. A similar association between size of farm and rate of turnover was found in Yorkshire (Simpson, 1968). This probably reflected not only that there were relatively more old farmers on small farms (implying higher rates of mortality and retirement) but also that small farmers are both inherently more mobile as well as being more likely to be part-time and, therefore, to have shorter average lengths of

occupancy than full-time farmers. The distances involved with these inter-farm movements are not known, but the evidence from Harrison (1975) suggests that they were localised.

Table II.A.5

Distribution of farms according to tenure and the number of moves of farm made. Raised figures England 1969

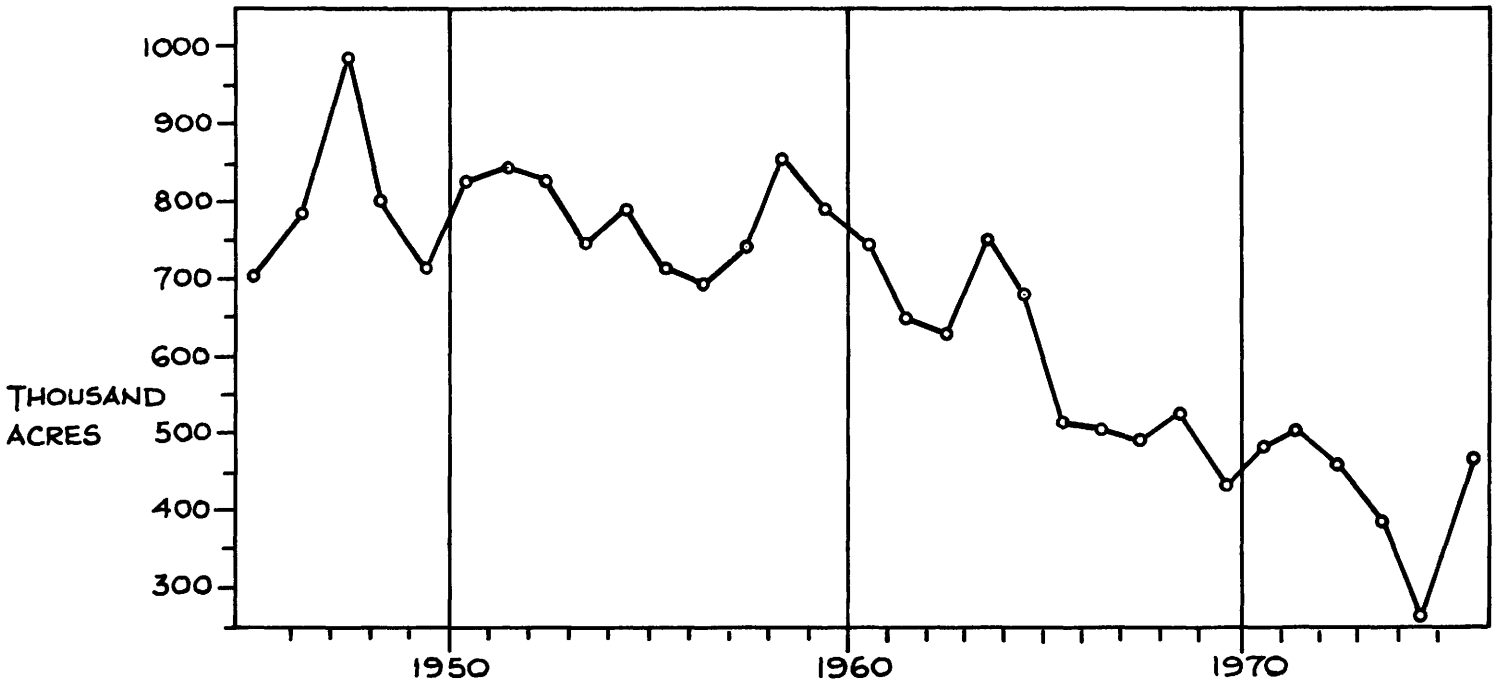
Tenure	No move		One move		More than one move		All farms	
	No.	%	No.	%	No.	%	No.	%
Wholly owned	54,939	43.6	9,263	32.4	1,488	29.5	65,690	42.0
%	83.6		14.1		2.3		100.0	
Mixed tenure	32,939	26.2	10,721	37.6	2,486	49.4	46,146	18.5
%	71.4		23.2		5.4		100.0	
Wholly rented	37,975	30.2	8,574	30.0	1,063	21.1	47,612	29.5
%	79.8		18.0		2.2		100.0	
All tenures	125,853	100.0	28,558	100.0	5,037	100.0	159,448	100.0
%	78.9		17.9		3.2		100.0	

Source: Based on Harrison, 1975.

It is to be noted that legislation designed to facilitate the retirement of farmers and hence increase the mobility of land between farms, particularly through reducing the amount retained in small low-income units, has not been notably successful. The Farm Structure Scheme, introduced in 1966, aimed at improving agricultural efficiency by, in essence, providing financial assistance to farmers willing to give up the occupation of holdings regarded as 'non-commercial' (defined as less than 600 smds). A second scheme then provided grants to the business with which the released land was amalgamated to secure the new unit as 'commercial'. Subsequently, upon the UK's entry into the EEC, Directive 72/160 was adopted in place of existing schemes. Recent economy cuts have reduced the scope of these structural measures. In any event, small owner-occupiers have shown a marked reluctance to give up their land, not necessarily an illogical business action when inflation has eroded the benefit of the financial provisions for retirement and when land prices have shown a sharp tendency to rise, with the result that the various schemes have had 'a hardly noticeable effect on farm structure and agricultural efficiency'. (RICS, 1977a). Farm adjustment schemes which offer modest financial incentives to farmers to give up their present, highly valued way of life cannot be expected to arouse much response if many of those eligible are less concerned with maximising income than with making a satisfactory living in order to do the work they like and be their own masters.

Figure II.A.6

The long-term pattern of the volume of farm land sales (England and Wales) 1945-1975



Source : Weir, 1977.

Land mobility between farms and between uses

Land mobility between farms takes place both in response to changes in conditions of the agricultural industry in general which may be illustrated by the general movement towards farm enlargement, and as a result of individual farmers attempting to match their land holding with the changing requirements which accompany ageing, family development and other personal circumstances, including those of the non-agricultural interests of part-time farmers. Although land transfers are the most important element in structural adjustment, this is an area inadequately supported by quantitative information. While advances in knowledge about the broad classes of purchasers and vendors of land have come recently from Inland Revenue data (see Table I.C.10), the breadth of the categories chosen in which, for example, all personal buyers and sellers are grouped together, means that no additional light has been thrown on to the crucial nature of the farmers who are disposing of and acquiring land. There appears to be no evidence on a national scale as to the former tenure of the land parcels which have been transferred out of farming; between 1971 and 1978 the average recorded land loss from farming in the UK was about 50,000 ha a year. About half of this was transferred to forestry and woodland, mainly poorer quality land in Scotland, with the remainder going into urban, industrial, highway and recreational uses. Hine & Houston (1973) noted that the proportion of full-time farmers selling land for development in Nottinghamshire in the 1960s was only 6.0 per cent, suggesting that much of the substantial capital gain from selling farmland for use outside agriculture has not accrued to the commercial farming sector (i.e. above 275 smd in size). Harrison (1975) found that 6.2 per cent of the total number of farms in England had at some stage in the farming career of their present owners sold land for development. The impact on those farms which had realised capital gains through land sale (not only sales for development) in terms of their finance, management and growth was far from clear but they did not differ in any striking way from farms without realised gains.

Only a little more evidence is available on the transfers of land between farm occupiers. Although it is comparatively rare for farmers to move farms in order to achieve a change in area, Harrison found in his 1969 survey of England that farmers did nevertheless succeed in making a large number of area adjustments (as distinct from whole-farm movements) over time. Only 44 per cent of farmers in 1969 (of all tenures) had not made any change in area from that which they first farmed, some 16 per cent had reduced it and the remaining 40 per cent had increased it. These area changes involved both purchased and rented land. Although the total owned area is greater than the total rented area, Harrison found that roughly five rented ha were becoming available to increase the size of the average farm for every four ha becoming available for purchase. This was somewhat surprising at a time when the proportion of rented land in the country was declining, but helps to explain the growth in numbers of mixed-tenure farms. Aggregate statistics might suggest that mixed-tenure farms have arisen, particularly in the 1960s, as the result predominantly

of owner-occupiers renting additional land (Hill, 1974). However, Harrison found that the ones which began under the present management as rented farms and added bought land outnumbered those which began as owned and added rented land by three to two. About two-thirds of farms which became mixed under their present management had done so during the 1960s.

Important questions remain to be answered about transfers of owner-occupied land; especially about the characteristics of those who are making land available to other farms and of those who are taking it over. The existing evidence is fragmentary and, while presenting a fairly consistent picture of what happens to land which becomes available, does not permit a systematic analysis of the circumstances surrounding its release. Hine & Houston's (1973) study of Devon and parts of the Midlands (see Table II.A.7) relates only to farms which were re-occupied or amalgamated in their entirety with no change of area and omits farms which were divided between several occupiers or put to non-agricultural use, throws a little light on this aspect of structural change; it reveals that death and retirement together are by far the most important reasons for whole farms becoming available for purchase, and movement by the occupier to non-agricultural unemployment a relatively rare reason. A number of studies show that the majority of land made available for owner-occupation is absorbed by existing farmers enlarging their farms. A survey of Yorkshire farming found that in 1965-6 86 per cent of the farms made available were sold to farmers increasing the area being farmed (Simpson, 1968). Hine & Houston (1973) found that in Nottinghamshire 1960-69, three-quarters of the owner-occupied land made available by farmers reducing their area went to other farmers, almost all of whom were 'expanding' farmers. The remainder (23 per cent) went out of agricultural use. A high proportion of the whole farms becoming available were amalgamated with other expanding units; the rate of disappearance of independing units was highest with the smallest sizes of farms. More recent information shows the importance of expanding farms as absorbers of land available for purchase to be continuing. A leading firm of estate agents reported that, in an analysis of sales of farms over the two years preceding the

Table II.A.7

Reasons for farms becoming available for purchase 1959-69

Reason	per cent Devon	Notts
Death of occupier	11	28
Retirement of occupier (age/ill-health)	20	32
Part retirement of occupier	6	3
Occupier changed farms	24	17
Occupier took non-farm job	10	5
Estate farm rationalisation	2	1
Financial difficulties of the owner	10	5
Other	17	9
	100	100
Number of observations	113	76

Source: Hine & Houston, 1973.

publication of their 1978-9 Review, 60 per cent of vacant possession farms were purchased by 'near-neighbouring' farmers anxious to increase the size and viability of their existing enterprises (Strutt & Parker, 1979 in Northfield, 1979). Similarly in recent years the AMC, which currently finances about 10 per cent of land purchases in England and Wales, has found that by far the largest proportion of its lending has been taken up by established farmers expanding their businesses. In Scotland, Clark has shown that amalgamation involves a process whereby the medium and large holdings, a third of which in his sample were already over 100 ha, took over small and medium-sized holdings.

Turning to the sources of land for farms of all tenures which had expanded, Hine & Houston found that about two-thirds came from the amalgamation of whole farms, the remainder coming largely from farmers reducing their areas. Some interesting socio-economic features emerged about these expanding English farms. Compared with those losing land, their occupiers were younger and more had sons who were potential successors; the formal creation of a family farming partnership seemed frequently to be associated with farm area expansion. This again serves to underline the close inter-twining of personal and business activities in farming.

A brief reference is required to the transfers of land which go on outside the market system. The Hine & Houston study found that a quarter of new occupiers on full-time owned farms acquired their land and buildings by inheritance rather than purchase. Of the remainder, more than three-quarters were bought privately, leaving only a small number purchased through public auction. Harrison (1975) also found that in 1969 slightly over one owner-occupied farm in four (25.5 per cent) of a much larger sample in England had been inherited at the outset of the present farmer's career. Taking into account land acquired while farming, 44 per cent of owner-occupied land had been inherited. In East Anglia in the mid-1970s, 60 per cent of owner-occupied farms were found to have been inherited especially so among farms of 405 ha and over - moreover 70 per cent quoted inheritance of land as their initial source of capital (Newby et al, 1978). Beyond simple inheritance and not identifiable from aggregate data, however, are those sales between members of families which take place at prices below prevailing open market levels. Hine & Houston estimated that in Nottinghamshire in the 1960s, about 70 per cent of full-time entrants took over occupancies from close relatives (all tenures and including inheritance, sales and other paths to change of occupier). Their findings match those of Harrison (1975) and Rettie (1975) that successors were available for over sixty per cent of principals of farm businesses in both England and in Scotland.

II.A(b) Capital equipment employed by owner-occupiers and their current rates of investment

Annual amounts of gross capital formation in farm buildings, works and plant, vehicles and machinery are shown for recent years in Table II.A.8. The volume of gross fixed capital formation in

the early 1970s was above the longer-term upward trend and reflected the industry's confidence and its prosperity during this period. From 1974 there was a decline (in constant price terms) in capital formation, largely the result of a major cut-back in spending on buildings and works. In recent years, tenants have been heavier investors in machinery whereas owner-occupiers have invested more heavily in buildings and works. Figures taken from the Farm Management Survey in England and Wales are shown in Table II.A.9 from which it can be seen that, in 1976-7 on a per farm basis owner-occupiers invested just over one and a half as much as tenants-plus-landlords in buildings, but less than three-quarters of the amount spent by tenants on machinery and equipment. This is reflected in a lower machinery valuation per ha on owned farms than on rented ones, although the highest levels are found on mixed-tenure farms.

Higher levels of investment in buildings by owner-occupiers are reflected in greater values of recent structures on their farms. Hill & Kempson (1977) found that owner-occupiers of below 121 ha possessed markedly greater quantities of farm buildings than tenants, particularly of buildings erected between 1957 (which marked the introduction of the Farm Improvement Scheme (FIS) and 1973, (see Table II.A.10)). The replacement value of the total stocks of buildings per ha fell with increasing farm size in all three tenure groups, the largest fall both in proportional and absolute terms occurring among owner-occupiers. The value of buildings erected since the introduction of the FIS did not exhibit a clear relationship with farm size, except perhaps among owner-occupiers. Table II.A.10 also shows that the largest farms had relatively more newer buildings while the smaller tended to have more older ones. Older buildings were a characteristic of tenanted farms, especially those of 8-61 ha, while owner-occupiers had a younger building mix than either tenanted or mixed tenure farms.

The return to (marginal) investments in machinery and buildings on owner-occupied farms is not high on a prima facie examination. Indeed, it is often hard to demonstrate commercial returns to such investments which are often aimed not so much to generate additional future income but rather to minimise short-run taxation payments and to keep the farm technically up-to-date. The so-called residual income investment hypothesis suggests that the level of spending on capital goods is a function of the margin between farm income and the reasonable living expenses of the farm family; the variability of performance over time which seems a characteristic of UK agriculture means that in some years a relatively large margin is available. It is suggested that the advantageous taxation depreciation allowances, formerly applying particularly to machinery but latterly extended to buildings,have channelled these funds principally into on-farm gross capital formation, rather than into off-farm investments or consumption spending. The stimulation of investment by high incomes is commonly encountered in reviews of investment patterns and a limited study by the CAS (1978) of net investment in machinery (gross investment less depreciation plus, in this instance, expenditure on contract work) shows that investment in machinery increased more than proportionately with increases in the farmers' current

Table II.A.8

Gross capital formation in UK agriculture, 1967-78

Year	Buildings and works £M	Plant, vehicles and machinery £M	Total £M	Total at constant 1975 prices[1] £M
1967	75	123	198	510
1968	92	139	231	541
1969	99	128	227	513
1970	117	133	250	525
1971	133	152	285	550
1972	159	192	351	608
1973	209	231	440	674
1974	250	309	559	683
1975	241	344	585	585
1976	223	454	677	577
1977	249	549	798	573
1978	334	609	943	603

[1] Index derived from comparisons of published series of gross capital formation figures at current and constant prices for agriculture, forestry and fishing together and applied to the agriculture component. In 1978 agriculture accounted for 96 per cent of the total.

Sources: Central Statistical Office, 1977 & 1979.

Table II.A.9

Expenditure on fixed capital and machinery valuation by tenure of holding. FMS England and Wales, 1976-7

Average gross investment 1976-7[1] (£/farm)	Owner occupied	Tenanted	Mixed tenure	All tenures (incl.mixed)
(i) in buildings	1005	638	-	737
(ii) in land	1186	107	-	1059
(iii) land, buildings and improvements	2675	1083	-	2513
Disposition of funds[2] during 1976-7 on (£/farm)				
(i) land and buildings	2813	792	3630	-
(ii) machinery, movable buildings and equipment	2884	4136	4757	-
(iii) Breeding Stock	- 28	183	11	-
Total new fixed assets at gross cost including grant (£ per farm)	5669	5111	8398	-
(£ per ha)	80	59	92	-
Mean farm size (ha)	71	86	91	83
Machinery valuation[3] (£ per farm) 1977	6673	8629	9958	8431
(£ per ha)	94	100	109	102

[1] Capital Investment Survey on all farms in the Farm Management Survey

[2] Liabilities and Assets Survey on a subsample of 871 farms - all types of farming excluding horticulture - 275 - 4199 smd

[3] All types of farming excluding horticulture - 275 - 4199 smd

Source: MAFF, 1978c.

Table II.A.10

Value of buildings per ha at replacement cost by farm size and tenure. English sample 1973

Farm size (ha of crops and grass)	Farm tenure: Tenanted	Mixed	Owner-occupied
a) Buildings of all ages	£/ha	£/ha	£/ha
8.1 - 60.3	420.1 (30.0)*	378.1 (32.8)	504.1 (32.4)
60.7 - 121.0	261.9 (85.8)	257.0 (83.4)	296.5 (83.8)
121.4 - 201.9	219.9(148.1)	190.3(152.6)	266.9(146.9)
202.4 and over	155.7(300.7)	227.3(307.2)	143.3(299.1)
All sizes (unweighted)	247.1 (88.2)	244.6(113.7)	281.7 (85.4)
b) Buildings erected 1957-73	£/ha	£/ha	£/ha
8.1 - 60.3	93.9 (30.0)	91.4 (32.8)	145.8 (32.4)
60.7 - 121.0	49.4 (85.8)	89.0 (83.4)	91.4 (83.8)
121.4 - 201.9	79.1(148.1)	51.9(152.6)	89.0(146.9)
202.4 and over	74.1(300.7)	98.8(307.2)	59.3(299.1)
All sizes (unweighted)	69.2 (88.2)	89.0(113.7)	91.4 (85.4)
c) Value at replacement cost of 1957-73 buildings as a percentage of the value of all buildings	%	%	%
8.1 - 60.3	22	24	29
60.7 - 121.0	19	35	31
121.4 - 201.9	36	28	33
202.4 and over	47	44	41
All sizes (unweighted)	28	36	32

* Figures in parenthesis are average areas of crops and grass per farm.

Source: Hill & Kempson, 1977.

income and liquidity position, as would be forecast by the hypothesis. It is perhaps not surprising in such circumstances, where investment is triggered off in a relatively short-term planning context by largely unpredictable income fluctuations, that it is difficult to demonstrate attractive returns to marginal investments in farm machinery, although the CAS study found an association between increasing the level of machinery stocks and a rise in production intentions.

The position regarding the returns to investment and the residual nature of spending is even less clear with buildings. Complications arise because it is difficult to distinguish replacement investment from genuine additions to the capital stock. However investment in buildings takes longer than in machinery and, at least for the larger projects and on individual farms, is less of a continuous process and is likely, therefore, to be less affected by year to year variations in net income. Work in Scotland (DAFS, 1977) in the mid-1970s found that, while high-performance, high-profit farms were associated with high levels of investment in machinery, particularly in 1975-6 when incomes rose markedly, the level of investment in buildings and works was generally lower on the higher performance farms.

Earlier work in Yorkshire (Black, 1965, 1966, 1967) found that, following the introduction of the FIS in 1957 which grant-aided spending on buildings and works, the heavy investment undertaken by owner-occupiers was not rewarded by a benefit identifiable in the farm accounts by 1961, the end of the period reviewed. The slow growth in 'distributable resources' (NFI plus depreciation allowances but minus unrealised increases in the value of stocks) achieved by tenant farmers did not appear to be influenced by the amount they or their landlords put into buildings.

Black's work emphasises the technical motives behind much investment; the firm conclusion drawn from his studies is that both tenants and owner-occupiers placed great emphasis on the maintenance of the farm's technical efficiency. This can be interpreted not only as a matter of pride but one of reducing vulnerability to adverse business conditions. The first call on funds available for investment was for re-equipment with field machinery, showing the farmer's direct concern for the future, as well as present, performance of the business. With owner-occupiers, the range of possible investments extends to buildings, opportunities generally less open to tenants. The relatively heavy investment in buildings on owner-occupied farms which has continued since Black's period of consideration, can be seen as a reflection of this pre-occupation with keeping technically up-to-date, influenced, where a successor is evident, by the desire to pass on a viable farm to the next generation. Certainly the evidence from sales of land with and without buildings suggests that the buildings do not play a major role in price determination and that capital gains as a result of new buildings enhancing a property's market value can be discounted as a significant motive for investment.

7)

The borrowing position of owner-occupiers

The most obvious difference between the financial positions of owner-occupiers and of tenants is that owners have at some time acquired the title to their land either by inheritance, gift or purchase and benefit from its growth in real value over time and the strong borrowing position which it bestows, whereas tenants do not. Harrison (1975) found that, in 1969, the liabilities of owner-occupiers, although larger in absolute terms, generally formed a lower percentage of assets than those of tenants (10.2 per cent as opposed to 16.9 per cent - see Table II.A.11). This difference, Harrison suggests, had arisen not because of any basic dissimilarity in attitude between tenants and owner-occupiers towards borrowing or of different attitudes by bankers towards them, but, in the way that rising land prices had altered the value of land owned by established farmers without directly affecting their liabilities. Overall, the rate of growth of borrowing had been less than the rate of growth of land prices. Among owner-occupiers, however, one of the main influences on the liabilities-to-assets ratio was the time period when land purchases were made; the most heavily indebted group of farmers were full-time working farmers in the 40-121 ha group, 40-49 years old, who had entered farming fairly recently. New entrant owner-occupiers of this type dominated total borrowing.

More recent information on the borrowing of owner-occupiers in England and Wales comes from the Liabilities and Assets Survey carried out as part of the continuous process of monitoring farm incomes by the Farm Management Survey (MAFF, 1978c). The liabilities-to-assets percentage for wholly owned farms in 1976-7 was 9.7 per cent, as opposed to 15.3 per cent on wholly rented farms; these figures, while of a similar level to Harrison's estimates and showing the same inter-tenure difference, cannot be directly compared since they include short-term merchant credit arising from the delay between the receipt of goods and payment and for which no separate charge is made. Both, however, agree that the major source of credit, once this differing treatment of trading creditors has been taken into account, is the banks, followed by the AMC, whose loans are linked to land purchase or improvements. Together these two sources account for just over three-quarters of the total non-trade credit in both estimates (Table II.A.12).

The relatively low liabilities of owner-occupiers reflect the way past investment has been financed. Evidence from the FMS for recent years shows about half the investment funds to have been generated within the business, a further substantial contribution coming from the disposal of assets, past income and injections from outside the business (gifts, inheritances and non-farm income), with only a small part being financed by an increase in loans (5 per cent in 1974-5 and 7 per cent in 1976-7). In contrast, tenanted and mixed-tenure farms have been much more dependent on new loans for financing investment (in 1976-7 14 per cent and 23 per cent respectively) although again loans were not the dominant source.

Table II.A.11

Distribution of farms by area of crops and grass by tenure and according to liabilities as per cent of assets. Raised figures, England 1969

Size group ha	Wholly owned %	Mixed-tenure %	Wholly rented %	All %
Under 20.2	8.5	2.7	14.2	7.9
20.2-	16.8	7.6	12.8	13.6
40.5-	9.6	10.3	17.2	10.7
121.4-	10.2	11.1	21.4	11.4
202.4-	10.9	11.2	17.3	11.3
404.7 and over	5.7	9.5	30.2	8.3
All size groups	10.2	10.0	16.9	10.7

Source: Harrison, 1975

Owner-occupiers appear, then, to be in a strong borrowing position; their equity is high and their main asset which forms collateral is appreciating in real terms. Yet their absolute level of short-term borrowing is currently little different from that of tenants and they do not appear to exercise their borrowing power to finance higher levels of working capital or machinery stocks. Furthermore, borrowing is by no means evenly spread, much of the total is accounted for by the small number of new-entrant owner-occupiers whose heavy borrowings are primarily the result of land purchase. The low levels of indebtedness of the general run of farmers can only be explained inadequately; Harrison sees the risk-aversion of farmers in the face of the considerable fluctuations in farm incomes which can occur as a partial explanation for low borrowings. Another element could be the lack of suitable on-farm investment opportunities with yields commensurate with the cost of borrowing. Another, linked to the bias towards the elderly in the population of farmers, might be the inertia towards change in the scale of activity which increases with age, known to apply to farming. Moreover, the indebtedness of new entrants, although heavy initially, diminishes with time and appreciating land values. The association between greater age (and stage of farming career) and lower indebtedness and reduced willingness to change the scale of farming activity is just one more manifestation of the integration of personal and business life in agriculture.

II.A.(c) Farm incomes of owner-occupiers

The principal source of information on farm incomes in the UK is the annual FMS undertaken in Great Britain by universities

and agricultural colleges on behalf of the central government and published in Farm Incomes in England and Wales and Scottish Agricultural Economics. In Northern Ireland a parallel survey is conducted by the Department of Agriculture and the results published in Farm Incomes and Investment in Northern Ireland. These data also permit a range of other business performance measures to be examined (such as productivity and enterprise performance). Similar but less extensive studies are made by the Imperial Chemical Industries Group and the Milk Marketing Boards.

From its introduction the FMS, which leads to the publications on incomes, has been concerned with the triple aims of aiding policy formation, improving the efficiency of individual farms and facilitating research and, by implication, teaching. These objectives, elaborated in the first FMS Report for England and Wales covering the years 1936 and 1937, remain largely the same in the 1970s. Changes in the industry, however, have in the past required and continue to necessitate extensions and modifications to the method, in terms of data collected and sample selection, by which these objectives are approached. Despite its comprehensiveness in terms of numbers, types, sizes and locations of farms covered and the depth of information for each farm, a fundamental criticism can be made of the way in which the FMS attempts to assess the incomes of owner-occupier farmers. By convention, all farms in the official survey of farms are treated as tenanted; this is the case even in Northern Ireland where almost all farm businesses are owner-occupied. This convention was, at least in Great Britain, a pragmatic move by which all farms, whether in reality owner-occupied or rented, could be assessed on a comparable basis. At the time that the survey was established in 1936 the proportion of owner-occupied land was much lower than is now the case and by treating owner-occupiers as tenants, by imputing a rent which they might have had to pay were the farm tenanted, the problems associated with the costs of landownership (including not only building depreciation but the problem of land value appreciation) were sidestepped. Whether such a procedure can be adequately defended now is highly questionable; of the 1993 farms of 275-4199 smd's, excluding horticultural holdings, which formed the basis of analysis in the 1976-7 edition of Farm Incomes in England and Wales, 647 are described as wholly tenanted and 669 as wholly owner-occupied. Presumably the balance of 677 farms fell into the mixed-tenure category.

It is not known whether the FMS enumerators are any more successful in dealing with the de jure and de facto tenure problem discussed in section I.B than is the annual June postal census, or whether enumerators from different centres apply a consistent convention to cases of disguised owner-occupation, although it is believed that field workers apply a de facto approach when confronted with intra-family tenancies. However, on about two-thirds of farms some imputed rental value is entered as a cost in estimates of income, a cost which in reality is not paid out of current income but which by-and-large is available for disposal as personal income or for investment. Against this it must be recognised that mortgages on land and buildings on some owner-occupied farms take the

Table II.A.12

Composition of liabilities of owner-occupiers England 1969 and England and Wales 1976-7

(a) England and Wales 1976-7	%
Agricultural Mortgage Corporation	26
Building societies	2
Relatives	12
Banks	35
Hire Purchase	1
Creditors	19
Other	6
	100

(b) England 1969	%
Agricultural Mortgage Corporation Lands Improvement Company	20.9
Banks	58.1
Other institutions	5.5
Private	13.6
Trade	1.8
Other	0.1
	100.0

Sources: (a) MAFF, 1978c

(b) Harrison, 1975.

place of rents, but Harrison (1975) has shown that, overall, owner-occupiers have relatively low borrowings, with liabilities forming only 10.2 per cent of assets (England 1969). While there are no doubt instances where actual land charges are greater than imputed rental values, for most groups of farmers this must not be the case.

In Northern Ireland the rental charges entered for owned land and buildings are assessed in relation to estimated sale values, although where land is taken on the 'conacre' system the actual rents paid are included. For these reasons the incomes calculated per farm are not on the same basis as those for Great Britain.

Although the manner in which Net Farm Income (NFI) is calculated for owner-occupied farms is tacitly accepted by agricultural economists, this probably results from the history of the FMS rather than conscious approval following a rigorous analysis of what is to be measured and the manner in which measurement is possible. Hearn (1977) stresses that NFI, however appropriate for tenanted farms, is a misleading measure of economic welfare when applied to owner-occupied farms. The calculation incorporating imputed rents not only understates the 'true' total farm income of landowning farmers, but also tends to give a misleading picture of relative incomes between different types and sizes of farms. It is neither an actual profit figure in an accounting sense which means anything to a farmer, nor is it a measure on which comparison within agriculture or with other sectors of the economy can be based since it arbitrarily excludes much of the return to the ownership of land in the form of appreciation. Hearn's conclusion is that for purposes of income calculation owner-occupiers must be treated as a separate group.

The convention of treating owned farms as tenanted obscures the study of the incomes of owner-occupied and mixed farms from published official sources because for the most part farms of all tenures are grouped together. However, recent editions of Farm Incomes in England and Wales have contained a limited amount of information in which the two 'pure' tenure groups are differentiated; Table II.A.13 is taken from the 1978 edition. In the 'Net Income' figures, real or imputed land costs and the imputed cost of the farmer's own labour are ignored, thus putting the two groups on an equal footing devoid of distortions resulting solely from imputing processes. It does not, however, remove the inequality in management decision-making brought about by one sector knowing that they must pay an actual rent while the other receives capital gains and is free from a real land charge. Furthermore, the criterion of size used, smds, is not the most appropriate for a study of farmland and its ownership. Groups of farms with close mean smd averages can have quite wide differences in physical areas (see the 1200-1799 smd and 1800-2399 smd 'All types' rows and the 1800-2399 smd 'Specialist Dairy'row). In both tenure groups farm income measured in this way increases with farm size as would be expected. However, a more interesting feature is the way that, within those farming types where sufficient numbers of observations exist for averages to be of much meaning, differences

between the average incomes of tenanted and owner-occupied farms are apparent at the lower end of the size spectrum. This is particularly noticeable among the dairying types where the tenanted farms have higher incomes than the owned ones.

Another way to represent the rewards from farming is to express them as a return to the value of the capital assets of the business. This is done in Table II.A.14 where land is treated as tenanted for the purpose of calculating NFI, but the rent element is added back to provide a total-income-from-capital figure. Costs for both the physical labour of the farmer and his managerial input are imputed to provide returns to these inputs. The final figure of return on capital is the sort of return which an owner-occupier might expect if purchasing his farm at current land prices. These returns, of 4 per cent and below, compare unfavourably with current returns on many alternative investment opportunities and are lower than the rates charged for agricultural mortgages in the same period. However, the return would have been much higher and consequently more attractive if calculated on the original acquisition cost or, if the appreciation in land values were included as a return, which in the long term it must be.

While there are plenty of estimates of return on capital calculated as if farms were tenanted (i.e. in which rental values are imputed and regarded as the current return to landownership after deducting appropriate costs), there is a lack of published estimates of the return to total capital earned in practice by owner-occupied farms and how the return has varied with farm size and type. However, recent estimates (Hearn, 1977) of the income of owner-occupiers, taking into account both conventional income and capital gains on land, show their longer-run rewards to have been markedly above those which are commonly quoted and help explain why even the smaller owner-occupiers prefer to remain in farming despite apparently low current returns.

When the incomes of owner-occupiers were confined to a consideration of NFI plus Net Farm Rents (Gross Rents less the expenses of land ownership) as the reward for the farmer's (and wife's) labour, his management and total capital invested (including land, buildings and working capital), Hearn found that, after assuming an opportunity cost for the farm capital in terms of the alternative reward available from investments in government stock or other securities of similarly low risk, on average there was no income left over to reward the farmer for his manual and managerial contributions in most years between 1965 and 1974. When conventional income was combined with non-conventional income in the form of estimated capital gains on farmland, however, a very different result emerged. The residual earnings of farming, after including the potential gross redemption yields on owned farmland over arbitrary ten-year periods, were relatively high compared with earned incomes in other sectors of the economy. This is illustrated in Table II.A.15(Hearn, 1977) from which it can be seen that the residual earnings from farming, after charging for the use of capital at a reasonable opportunity cost, is on most sizes of farm well above the earnings in comparable occupations (in other words

Table II.A.13 Comparison of certain physical and financial data on wholly tenanted and wholly owner-occupied farms, England and Wales, 1975-6 and 1976-7

£'s per farm

Type of Farming	Size of Business: SMD	Number of farms		Average hectares				Average SMDS				Average valuations				Net Income including Breeding Livestock Stock Appreciation before land expenses			
		Ten- anted	Owner- occ.	Tenanted		Owner-occupied		Tenanted		Owner-occupied		Tenanted		Owner-occupied		Tenanted		Owner-occupied	
				75-6	76-7	75-6	76-7	75-6	76-7	75-6	76-7	75-6	76-7	75-6	76-7	75-6	76-7	75-6	76-7
Specialist Dairy	275- 599	33	50	26	26	26	27	464	467	465	457	9,626	11,499	8,817	10,279	4,895	5,401	4,001	4,780
	600-1,199	82	75	48	48	47	47	882	907	886	891	19,644	25,010	19,910	24,023	9,581	10,534	8,335	9,442
	1,200-1,799	46	36	81	82	82	82	1,425	1,450	1,478	1,496	30,501	37,106	31,978	40,331	14,157	16,390	13,815	14,231
	1,800-2,399	12	14	124	127	105	106	2,059	2,069	1,968	1,983	49,751	59,086	50,079	57,779	18,671	19,907	19,081	17,402
	2,400-4,199	12	5	165	166			3,052	3,068			76,894	88,207			26,432	29,829		
Average Full-time	275-4,199	185	180	50	50	48	48	892	907	870	873	19,762	24,270	18,932	22,905	9,162	10,183	8,170	8,973
Mainly Dairy	275- 599	11	10	43	41	33	33	436	433	480	439	9,013	11,411	9,594	12,623	6,412	6,360	4,711	4,798
	600-1,199	31	25	81	81	66	66	868	846	911	867	22,506	25,659	19,792	22,811	9,302	11,257	8,293	9,070
	1,200-1,799	18	19	112	113	96	96	1,495	1,520	1,584	1,555	35,841	42,462	35,540	41,665	15,455	18,047	14,664	16,493
	1,800-2,399	16	13	150	154	138	145	2,067	2,054	1,999	2,026	50,012	60,681	49,679	60,816	22,672	20,420	23,253	24,787
	2,400-4,199	18	11	212	212	237	235	2,751	2,857	3,096	3,126	74,731	90,772	89,647	99,448	23,194	25,529	35,022	32,525
Average Full-time	275-4,199	94	78	95	95	76	77	1,144	1,145	1,092	1,061	28,562	33,871	25,490	29,989	12,074	13,373	10,872	11,431
Livestock,	275- 599	13	18	124	124	93	94	480	498	425	423	10,184	12,521	9,810	12,491	4,370	5,522	4,090	6,200
Mostly sheep	600-1,199	10	11	359	356	310	310	914	930	852	826	19,283	22,327	19,649	23,104	8,181	12,492	7,390	9,869
	1,200-1,799	5	3																
	1,800-2,399	2	0																
	2,400-4,199	0	0																
Average Full-time	275-4,199	30	32	317	316	186	186	785	803	596	584	15,694	18,701	13,890	16,887	6,980	9,741	5,273	7,611
Livestock,																			
Cattle and sheep	275- 599	45	67	69	69	64	62	477	467	449	434	14,094	16,838	14,175	16,364	5,584	7,005	5,720	5,955
	600-1,199	63	75	150	150	121	122	830	840	839	831	27,205	32,726	27,898	33,204	10,191	12,026	10,655	12,198
	1,200-1,799	13	15	336	341	226	225	1,504	1,444	1,423	1,373	45,281	54,376	41,256	50,174	15,735	20,979	16,172	19,181
	1,800-2,399	2	5																
	2,400-4,199	1	4																
Average Full-time	275-4,199	124	166	123	124	98	98	718	711	693	679	22,329	26,657	22,193	26,175	8,294	10,368	8,786	9,587
Cropping,	275- 599	21	23	63	63	71	71	444	402	679	441	13,005	13,617	16,527	17,103	6,260	7,646	5,005	9,311
Mostly cereals	600-1,199	32	42	127	124	137	137	880	852	901	852	32,183	36,236	33,202	35,338	14,149	15,657	13,170	15,244
	1,200-1,799	19	13	206	206	209	214	1,425	1,408	1,507	1,526	51,873	59,377	58,931	64,705	21,561	25,577	24,114	25,963
	1,800-2,399	6	7																
	2,400-4,199	4	4																
Average Full-time	275-4,199	82	89	140	139	144	146	990	950	1,059	968	34,294	37,770	36,022	39,459	14,000	16,374	14,553	18,268

£'s per farm

Type of Farming	Size of Business: SMD	Number of farms: Tenanted	Number of farms: Owner-occ.	Average hectares: Tenanted 75-6	Average hectares: Tenanted 76-7	Average hectares: Owner-occupied 75-6	Average hectares: Owner-occupied 76-7	Average SMDS: Tenanted 75-6	Average SMDS: Tenanted 76-7	Average SMDS: Owner-occupied 75-6	Average SMDS: Owner-occupied 76-7	Average valuations: Tenanted 75-6	Average valuations: Tenanted 76-7	Average valuations: Owner-occupied 75-6	Average valuations: Owner-occupied 76-7	Net Income including Breeding Livestock Stock Appreciation before land expenses: Tenanted 75-6	Net Income including Breeding Livestock Stock Appreciation before land expenses: Tenanted 76-7	Net Income including Breeding Livestock Stock Appreciation before land expenses: Owner-occupied 75-6	Net Income including Breeding Livestock Stock Appreciation before land expenses: Owner-occupied 76-7
General Cropping	275- 599	17	11	36	36	50	50	443	457	436	471	10,813	14,651	12,955	14,342	10,786	12,107	6,636	9,368
	600-1,199	20	24	71	70	78	80	887	907	871	894	24,159	31,940	28,009	33,726	18,109	16,713	18,722	18,162
	1,200-1,799	19	12	126	126	112	110	1,455	1,493	1,376	1,378	36,808	44,130	33,003	41,293	23,379	24,589	21,455	20,894
	1,800-2,399	9	7																
	2,400-4,199	18	9	227	223			2,856	3,016			72,995	88,610			36,935	41,562		
Average Full-time	275-4,199	83	63	92	92	87	88	1,140	1,160	1,135	1,178	29,352	37,005	28,662	34,267	19,846	21,314	18,313	20,069
Mixed	275- 599	4	3																
	600-1,199	13	5	85	85			890	937			28,678	35,030			18,373	15,383		
	1,200-1,799	8	9																
	1,800-2,399	3	7																
	2,400-4,199	6	10			286	286			3,086	3,128			91,376	110,983			36,953	40,789
Average Full-time	275-4,199	34	34	92	92	109	109	1,243	1,211	1,346	1,403	32,570	40,293	37,435	46,012	18,779	17,311	17,811	20,795
Pigs and Poultry	275- 599	2	4																
	600-1,199	8	10			42	42			932	984			21,696	24,494			8,322	10,078
	1,200-1,799	1	4																
	1,800-2,399	1	6																
	2,400-4,199	3	3																
Average Full-time	275-4,199	15	27	52	53	42	42	1,105	1,147	1,160	1,226	27,457	32,344	22,765	27,208	17,685	15,997	12,729	11,965
All types	275- 599	146	186	49	49	48	48	462	458	470	452	11,620	14,122	11,711	13,622	6,277	7,003	5,313	5,978
(excluding	600-1,199	259	267	90	90	84	84	872	890	886	888	23,420	28,550	23,495	27,665	11,496	12,645	10,183	11,530
horticulture)	1,200-1,799	129	111	154	156	115	115	1,459	1,469	1,460	1,471	36,732	43,993	35,164	43,013	17,536	19,375	16,263	17,585
	1,800-2,399	51	59	199	199	139	142	2,183	2,088	2,005	2,058	54,511	63,398	48,787	57,941	24,141	26,609	21,936	24,948
	2,400-4,199	62	46	215	217	181	181	2,957	2,988	2,817	2,900	78,198	92,973	68,558	81,381	33,798	37,256	35,549	33,940
Average Full-time	275-4,199	647	669	94	94	80	80	954	957	926	927	24,720	29,754	23,340	27,666	11,949	13,198	10,635	11,650

Source: MAFF, 1978c.

Table II.A.14

Return on total capital for all types of farms except horticulture. 275-4199 smd 1972-3 - 1974-5

	England and Wales			Scotland		
	1972-1973	73-4	74-5	1972-1973	73-4	74-5
Net farm income (£/ha)	69.5	73.7	64.6	18.8	15.0	19.7
Farmer & wife's labour (£/ha)	12.3	13.9	17.5	3.6	3.4	8.2
Imputed management salary (£/ha)	17.1	19.0	21.9	4.8	4.4	5.1
Investment income (£/ha)	39.9	40.8	25.2	10.4	7.2	6.4
Gross rent (£/ha)[3]	16.3	18.3	22.2	2.5	2.6	2.8
Landlord's expenses (£/ha)[2]	4.9	5.5	6.7	0.8	0.8	0.8
Total income from capital (£/ha)	51.3	53.6	40.7	12.1	9.0	8.4
Land price (£/ha)	1134.0	1542.0	1282.0	250.0	505.0	420.0
Tenant's capital (£/ha)[4]	196.0	216.0	250.0	52.5	56.4	79.1
Total capital (£/ha)	1330.0	1758.0	1532.0	302.5	516.4	499.1
Return on capital (%)[1]	3.9	3.0	2.7	4.0	1.7	1.7

1 Return on capital = total income from capital/ha ÷ total capital/ha, where total income from capital/ha = investment income/ha plus net rent/ha.
Investment income/ha = net farm income/ha minus farmer's and wife's labour/ha minus imputed management salary/ha; net rent/ha = gross rent/ha minus landlord's expenses/ha; while total capital/ha = land price plus tenant's capital/ha.

2 Annual expenses of landowners on owner-occupied farms amount to about 30% of the gross rent (ADAS,1976).

3 For the calendar years 1973, 1974 and 1975.

4 Average recorded valuation per ha.

Source: CAS, 1978.

the ratio of non-farming earnings to actual farm occupational earnings is below unity).

Much depends on what non-farm occupations are selected for a 'fair' income comparison. However, Hearn found that, for the two-to-four-man business (600-1199 smd), farming incomes were on average in the top 15 per cent range of professional earnings while for the 1200-4199 smd group average occupational earnings were in the top 5 per cent of earned incomes. When it is considered that a large majority of farmers are the sons of farmers, tend to have spent much of their working lives on farms and have little or no professional training or experience outside farming, it seems highly unlikely that in general they would be capable of achieving in an alternative employment the sort of rewards that owner-occupied farming currently affords them.

The evidence provided by the smallest full-time farms examined by Hearn, the one and two-man farms of 275-599 smd shows that, after charging for use of capital at a reasonable opportunity cost, farmers in this group were earning only about two-thirds of the rewards earned by manual labour in other industries. They accounted for about 38 per cent of full-time businesses (England and Wales 1974). However, in view of the relatively high average age of farmers on small farms (Harrison(1975) found that in 1969 37 per cent of all farmers were over 55 years old) it is perhaps debatable whether the comparison with industrial manual labour is a fair one. A comparison with earnings of farm workers might show approximate parity, although the advantages of being self-employed are not formally built into the comparison. Hearn's conclusion on this end of the size spectrum is that calculating income in this way places the farm structure problem in a new perspective; the problem becomes not one of low relative returns to farming, but one of low absolute cash incomes in which the appropriate focus of government policy is to switch from encouraging the out-migration of farmers to one of raising the opportunity cost of farmers' labour through education and training.

Productivity and efficiency measures

From the aggregate viewpoint an important facet of the ownership of farmland is the way in which the efficiency with which national resources are used relates to the size and tenure of farms. For example, fiscal policy which encouraged the break-up of large owner-occupied farms or which prompted the owners of rented land to sell to their tenants could have important implications for the level of agricultural output. The gradual reduction in numbers of small farms and their incorporation in larger units is frequently supported on the grounds of improving aggregate efficiency, but,others argue that limits should be placed on the maximum permissible size of farms for both social and economic reasons.

From a national viewpoint productivity measurements are usually considered a better guide to the allocation of resources than returns to capital derived from farm income calculations. Farm incomes are the margin between the market value of farm

Table II.A.15

Ratio of average non-farm earnings to occupational earnings[1] on full-time owner-occupied farms - all types (excluding horticulture)

Farm size	275-599 smds	600-1199 smds	1200-4199 smds	Average Full-time 275-4199 smds
Period				
1965-69				
Non-manual industrial earnings	1.60	0.86	0.37	0.81
Manual industrial earnings	1.24	0.67	0.29	0.62
General managerial earnings	-	-	-	-
1970-74				
Non-manual industrial earnings	1.83	0.70	0.33	0.71
Manual industrial earnings	1.54	0.59	0.28	0.60
General managerial earnings	2.35	0.90	0.43	0.91
1965-74				
Non-manual industrial earnings	1.73	0.76	0.35	0.74
Manual industrial earnings	1.41	0.62	0.28	0.61
General managerial earnings	-	-	-	-

1 Based on an assumed capital return equivalent to medium dated British government securities. Accrued capital gain on farmland is included.

Source: Hearn, 1977.

output minus the costs of inputs, some of which may be imputed. Income is thus a residual after all other costs have been removed. When this is expressed as a percentage of the value of capital assets employed, the resulting rate of return is only a partial measure of the effectiveness with which resources are used and attributes the income margin to a single productive factor. A more complete picture of the productivity of all factors together is provided by dividing the gross output from a farm by the value of all inputs to produce a total efficiency measure. In current practice this means charging for the annual services of land and buildings in the form of an assessed rent and charging for the labour of the farmer and his wife at the rate appropriate, say, for hired labour. For convenience, no charge

is imputed for the management input of the farmer nor for the non-land capital, although a depreciation allowance is made.

A study (Agriculture EDC, 1973) of the factors affecting productivity at the farm level conducted in the way just described, and based on a sample of 133 farms, found that efficiency was strongly associated with three variables, size of farm, practical and technical ability, and man management and,less strongly with marketing ability and cost awareness. Two factors were negatively associated with productivity, the age of the farmer and the size of the pool of surplus labour. Among those characteristics of farm businesses which held no apparent relationship with productivity were, rather surprisingly, land tenure and capital position, the latter being measured in several ways, including the long and short term liabilities to assets ratios and the asset structure.

More recent work by Britton & Hill (1975 and 1978) has further explored the relationship between farm size and efficiency using a far larger sample of farms than the EDC study and has shown that, while size and efficiency are linked in both main tenure groups, there are important differences between the tenures at the lower end of the size spectrum.

The basic size/efficiency relationship is shown in Table II.A.16 and its accompanying graph (Britton & Hill, 1975). Using data for 1970-1 for a cross-section of farms, they found that efficiency increased sharply with area of farm at first but then less rapidly, reaching a level beyond which there were little, if any, further increases in efficiency. These efficiency thresholds were 40-61 ha for dairy farms, 61-81 ha for mixed farms, 81-101 ha for cropping farms and 101-121 ha for livestock (cattle or sheep-rearing) farms. Within each farming type the smaller farms on average did not attain anything like the level of output (in relation to the resources used) achieved by the larger farms. The low efficiency of the smaller farms was due very largely to the poor utilisation of the farmer and his wife's labour; the improvement in efficiency found when moving away from the smallest farms resulted principally from the ability of the larger farms to spread the cost of such labour over a greater volume of output. Broadly similar results were found in Scotland (Dellaquaglia,1978) although the great variations in quality of Scottish farmland made smds preferable to area as a measure of farm size.

Changes in UK capital taxation made over the last two decades, and notably the Capital Transfer Tax introduced in 1974-5, seem likely to have the greatest long-term impact on very large farms and on the private owners of let land (see Section II.D). Interest has consequently turned to the relative efficiency of farms in these groups in order to assess the possible effect of fiscal measures on the efficiency of the industry as a whole. Very large farms, though few, are important in output terms; also the possible existence of inter-tenure differences in efficiency are clearly pertinent to arguments about fiscal measures, which have become increasingly designed to break up the traditional landed estate. Neither question was adequately covered in their first study and in

Table II.A.16

Average efficiency ratio on different sizes and types of farms, England and Wales, 1970-1

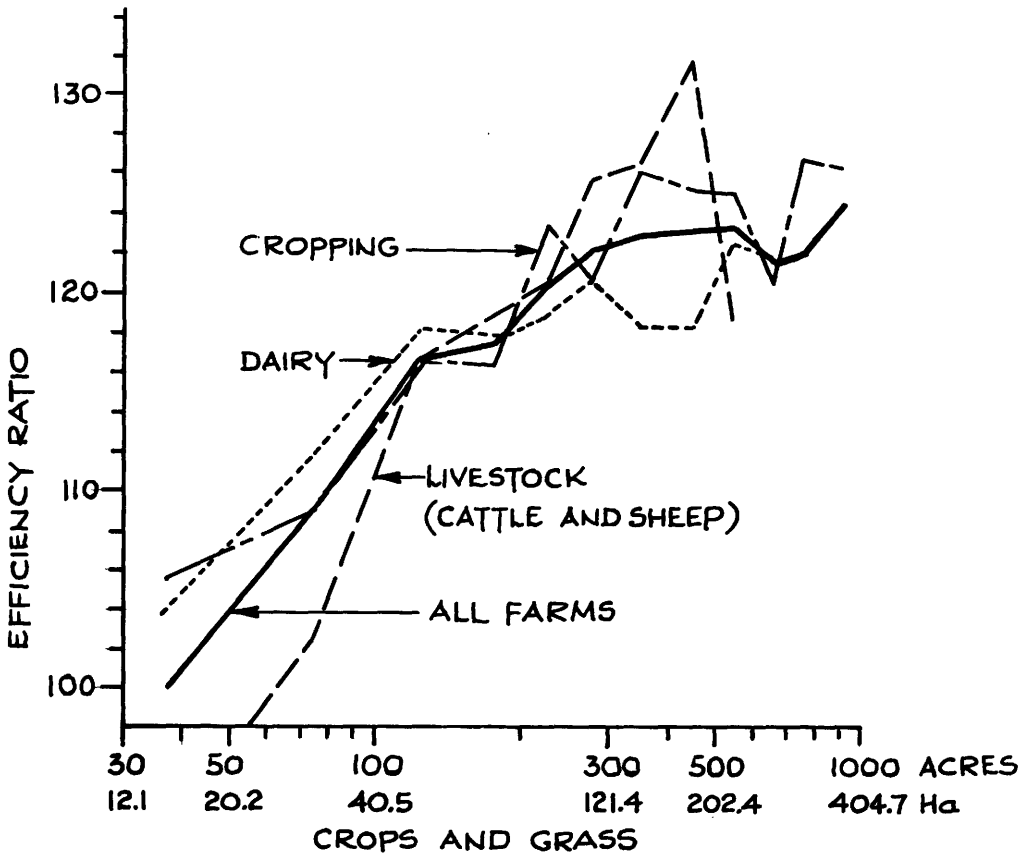
Size group (ha crops and grass)	Average area (all types of farm)	No. of farms	Efficiency ratio (output/input x 100)				
			All types	Dairy	Live-stock (Cattle & sheep)	Crop-ping	Mixed
8.1 -	15.0	178	99.9	103.8	92.1	105.5	(-)
20.2 -	30.0	494	108.9	111.7	102.3	108.8	106.9
40.5 -	49.8	416	116.6	118.0	116.6	116.4	111.1
60.7 -	70.1	319	117.3	117.7	118.5	116.3	117.7
80.9 -	90.3	238	120.3	118.9	120.6	123.3	117.9
101.2 -	110.9	184	122.1	120.6	125.7	120.4	123.4
121.4 -	139.6	225	122.8	118.4	126.4	126.2	119.0
161.9 -	179.3	148	123.0	118.2	131.7	125.1	116.9
202.4 -	218.5	96	123.2	122.5	118.6	124.9	124.2
242.8 -	261.8	55	121.4	121.7	(-)	120.4	(-)
283.3 -	302.3	29	121.9	(123.4)	(-)	126.7	(-)
323.8 -	364.2	44	124.2	(120.2)	(-)	126.3	(-)
404.7 -	427.8	12	125.8	(-)	(-)	(-)	(-)
485.6 -	(523.7)	6	(117.0)	(-)	(-)	(-)	(-)
607.0 and over	746.3	12	117.3	(-)	(-)	(-)	(-)

Note: Figures in brackets indicate that less than ten farms were recorded in the group.

Source: Britton & Hill, 1975.

Table II.A.16 (associated graph)

Average efficiency ratio on farms of different sizes and by type of farm, England and Wales, 1970-71



Source: Britton & Hill, 1975

1978 Britton & Hill published a further analysis based on data for 1968 to 1973 drawn from the FMS covering about 2,500 farms each year. Summarising their findings on the very large farms they concluded that, from the limited evidence available, farms of over 404 ha were neither markedly more nor less inefficient (measured by the output/input ratio) than medium-sized farms of the same farming type. Recently the general findings of Britton & Hill have received support from analysis of the FMS for the period 1968-9-1976-7 undertaken by MAFF (Lund & Hill, 1978) which in addition showed a tendency for the dispersion of efficiency to decrease with increasing farm size, at least for some farming types. In Scotland the evidence points more firmly to the conclusion that the very large farm (of 3000 smd and over - approximately 8-men labour force) exhibits some falling off in efficiency (Dellaquaglia, 1978).

It is sometimes suggested that large farms achieve as much output per ha as medium-sized farms do but, Britton & Hill show that this is not so for they found that, in England and Wales, year after year, on all types of farm output per ha was of a consistently higher value on the medium-sized farms. This is summarised in Table II.A.17.

Table II.A.17

Output per ha on large and medium-sized farms 1968-73

	Output per ha (6-year average)	
	121-162 ha	405 ha
	£	£
Mainly dairying	178	151
Livestock rearing and fattening	72	17
Cropping	151	128
Mixed	200	143

Source: Britton & Hill, 1978.

Britton & Hill examined the relationship between farm size, tenure and performance; they defined owner-occupied farms as those containing less than 10 per cent rented land, and rented farms as those containing less than 10 per cent of owned land, and on this basis found that there was a band of farm sizes from 20-60 ha within which tenanted farms achieved efficiency ratios consistently superior to those of owner-occupied farms. Within that size band the differences were statistically significant and applied to each of the five farming types examined (Specialist Dairy, Mainly Dairying, Livestock (Breeding and Fattening), Cropping and Mixed). On farms larger than 60 ha no consistent inter-tenure differences could be found.

The relationship between farm size and efficiency at the lower end of the size spectrum within each farming type was that, while the average efficiency ratios of rented farms of 40-60 ha

(8)

were similar to those of larger size groups, the ratios of owned farms were lower. Although, in the 20-40 ha group, rented farms had ratios somewhat lower than those of larger size groups, owned farms performed markedly less well. Thus, the move from the smaller to the larger owner-occupied farm is associated with a large improvement in efficiency, whereas on rented farms the improvement is less marked because of the higher efficiency the smaller ones achieve. This is illustrated in Table II.A.18.

In order to endeavour to explain the relatively low efficiency of small owner-occupied farms, whose performances were largely responsible for the poor performance of the size-group as a whole, attention was concentrated on the Specialist Dairy Farm of 20-40 ha in the FMS for this is not only the biggest in the sample in England and Wales but the one with the most consistent and frequently statistically significant inter-tenure differences. What the figures showed was that owner-occupiers used only as much tenant's capital per unit of land as owned farms in the larger size group (60-120 ha) but, in spite of much higher levels of labour being provided by the farmer and his spouse on the smallest farms, achieved only a slightly greater level of output per acre.

In contrast, rented Specialist Dairy Farms of 20-40 ha used their land much more intensively not only than larger rented farms but also owned farms in the same size group. Higher tenant's capital per ha produced output which raised the efficiency ratio of these farms to a level not greatly different from that of the larger sized farms. Britton & Hill argue that this more intensive use of capital is to be explained in terms of the relative charges owner-occupiers and tenants face for the use of land. Apart from the relatively small number of heavy borrowers, owner-occupiers do not face an actual charge for their land and the notion that they should include in the assessment of their income some opportunity cost for the capital represented by their land does not accord with their attitudes in practice. Many of them have inherited their land or bought it at historical prices considerably below present market value; imputed rental charges are in reality enjoyed as income. However, land is far from a 'free input' for tenants, and the greater capital to land ratio of the small tenanted farms probably results from efforts to extract an acceptable standard of living in relation to the rents they have to pay.

Demonstrating that pockets of inefficiency exist within the structure of agriculture does not necessarily imply that the industry's overall performance could be radically improved by their removal. For example, the lower efficiency of small farms as conventionally calculated is by now well established, yet Britton & Hill estimate that if the average efficiency of all full-time farms with a workload sufficient for two men or less (275-600 smds) could be brought up to the average level attained by larger farms, this would represent an increase of only 2 per cent in total agricultural output. In aggregate terms a costly policy of actively promoting farm amalgamation to remove pockets of inefficiency at the lower end of the size spectrum would seem unjustified. However, the solution of the actual and potential social problems presented by the persistence of large numbers of

small unviable units is of potentially greater importance than a mere consideration of their share in total production would suggest.

Table II.A.18

Six-year average transformed efficiency ratios by size and type of farm, 1968-73

		0 -	50 -	100 -	150 -
Specialist	Owned	87.6(137)	93.1(477)	101.3(279)	103.5(412)
Dairy	Rented	91.2(147)	100.6(526)*	105.3(321)*	104.4(410)
Mainly	Owned	87.7 (41)	96.4(155)	101.4(121)	103.1(293)
Dairy	Rented	87.3 (67)	101.0(158)*	99.6(176)	102.6(359)
Livestock	Owned	82.1 (87)	81.8(207)	90.8(232)	98.3(449)
	Rented	80.1 (61)	89.9(135)	100.2(117)*	105.2(338)*
Cropping	Owned	82.5 (69)	83.8(135)	98.3(183)	100.8(575)
	Rented	88.4 (66)	96.0(138)*	96.8(144)	98.9(414)
Mixed	Owned	85.2 (5)	87.4 (52)	97.0 (73)	102.4(164)
	Rented	83.6 (14)	99.5 (46)*	96.4 (61)	101.4(125)
All types	Owned	88.8(501)	90.3(1083)	97.8(935)	101.4(1979)
	Rented	88.1(405)	99.0(1068)*	101.1(839)*	102.6(1688)*

		300 -	400 -	500 -	600 -
Specialist	Owned	101.5 (61)	100.9 (14)	106.2 (12)	116.2 (3)
Dairy	Rented	105.1 (78)	110.9 (17)	100.0 (6)	
Mainly	Owned	97.1 (73)	99.2 (40)	101.2 (24)	101.2 (24)
Dairy	Rented	101.7 (94)*	98.1 (54)	98.1 (50)	105.1 (25)
Livestock	Owned	102.4(174)	105.7(104)	112.3 (46)	96.9 (33)
	Rented	108.0 (88)	107.1 (79)	107.8 (97)	104.2 (27)
Cropping	Owned	103.9(199)	102.5(142)	103.9(106)	99.3 (83)
	Rented	103.3(281)	106.3(156)*	103.6(119)	103.2 (72)
Mixed	Owned	103.5 (62)	102.6 (48)	99.4 (23)	112.1 (9)
	Rented	99.3 (48)	95.9 (47)*	104.0 (40)	100.0 (11)
All types	Owned	102.3(587)	103.0(355)	105.1(216)	100.3(161)
	Rented	103.7(601)*	104.1(357)	104.0(363)	103.5(135)

		700 -	1000 -
Specialist	Owned	101.5 (11)	
Dairy	Rented	88.9 (8)	
Mainly	Owned	96.5 (14)	105.0 (16)
Dairy	Rented	102.1 (42)	102.8 (22)
Livestock	Owned	101.4 (51)	118.2 (58)
	Rented	114.3 (70)*	121.5 (86)
Cropping	Owned	104.0 (71)	97.0 (35)
	Rented	100.2(111)	109.2 (33)
Mixed	Owned	98.4 (8)	95.9 (24)
	Rented	104.4 (19)	109.9 (7)
All types	Owned	102.0(155)	107.0(133)
	Rented	104.4(250)	115.4(143)

* indicates that the difference in Efficiency Ratios between the owned and rented farms reached the 5 per cent level of statistical significance.

Source: Britton & Hill, 1978.

II.B. The Land Market : Sales and Prices

II.B.(a) Introduction

The last 25 years have seen considerable progress in the collection, collation and dissemination of information on the prices of farm land. From being an almost neglected field in the early 1950s, studies have multiplied to an extent where the amount of data available can be quite confusing. Pioneering work was carried out in the post-war period by Britton (1949) and Ward (1958) and this work continues at the University of Oxford Institute of Agricultural Economics. Farmland may be sold at public auction or by private treaty and it is on the results of the former method of sale that this work was and is based. The results of private sales can only become available as the result of the occasional special survey of agents, such as the inquiry by Munton (1975), or as the result of the sort of government action which has produced the sets of information published by MAFF to which reference will be made later.

A major problem arises if the price at which land is sold is to be taken as the value of agricultural land in general. The reason for this is the very small proportion of the total which comes on to the market in any one year. In England and Wales in 1977, for example, only 2 per cent of the total area was reported as being sold; but even this is an exaggeration as some of these sales were intra-family and the land would not have come on to the market in the normal sense. In some years even smaller proportions of sales are recorded (less than one per cent in 1975). There is also a difference depending on whether land sold with possession or land sold with a sitting tenant is involved; for example, in 1976 only 0.6 per cent of the total area of tenanted land came on to the market. In Scotland an even smaller proportion of the total area is sold in any one year.

The consequence of the relatively small number of sales is that genuine short term movements in prices are difficult to identify and peculiar sales may unduly affect the average price in any one month, quarter or even year. It is possible to adjust the average to take into account variations in some of the known and quantified variables such as size of farm or region of the country, but others, such as the nature of the soil or the extent and quality of the buildings are not quantified in the sales data. There are also seasonal differences in the volume of sales; many more sales occur in the middle of the year than at the beginning and end. For these reasons not too much weight should be placed on average prices for less than one year, particularly if these relate to smaller parts of the market, such as a particular region or a particular size of farm. Even annual variations, especially if broken down into component parts, should be treated with reserve.

II.B.(b) Available price series

As indicated above, the presence of several different price series, based to some extent on the same data and giving different results for different periods, can be confusing. Fortunately

they are reproduced in one publication, the Farmland Market, and although the original sources are given below, this is not only the easiest source for the casual enquirer but also the best for those who may be interested in the details of individual sales.

(i) The Institute of Agricultural Economics, University of Oxford

This is the longest price series available and is compiled by members of the Institute staff from the published reports of sales at auction. Since 1946, the main series has been based on the weekly reports in the Estates Gazette. Before that information came from the Estates Exchange Year Book of Auction Sales and use of an earlier source (Royal Statistical Society, 1891), enabled the start of the series to be pushed back to the early date of 1781. The Estates Gazette data is supplemented by data from similar weekly reports in the Farmers Weekly. The main criticism of this series arises from the very nature of the data on which it is based - the published reports of sales at auction. First, some sales may go unreported - possibly the less successful ones. Second, auction sales represent only a part and possibly a biased part of the market, although the evidence for the latter is inconclusive (Munton, 1975). There is some evidence (Maunder, 1969) that some of the earlier Estates Gazette reports contained inadequate coverage of some areas. This has now been remedied by both the Estates Gazette and Farmers Weekly making considerable efforts to improve their coverage and by the fact that the annual prices in the 'Oxford Institute series' are now weighted by regional factors (Maunder, 1975) as well as, in effect, by the area factors which have been used for some time (Table II.B.1).

As well as producing the series described above, since 1970 the Oxford Institute has also calculated median prices and interquartile ranges for farms with and without possession, and for bare land in the same categories. The prices for farms with possession are further broken down by size and by region but the prices for bare land with possession are shown by region only (Table II.B.2.).

(ii) MAFF

The second main series is that prepared by the Ministry based on the returns made to local valuation offices of the Inland Revenue for stamp duty purposes. It thus provides a complete coverage of all sales of farm land, including, unfortunately some intra-family sales, probably at less than true market value. But the major disadvantage of this series, particularly in times of rapidly changing prices, is that the dates used refer to when duty was paid rather to when the sale was agreed. This means that prices reported in one six-month period may in fact refer to transactions in the previous one, or even earlier. It has been stated (ADAS,1977) that the average delay is probably of the order of nine months.

The results of this enquiry were published quarterly in MAFF Press Notices and half-yearly in Sales of Agricultural

Land in England and Wales by MAFF Economics Division III. Now quarterly and half-yearly figures are published only in Statistical Information Notices. Annual figures are published in ADAS Technical Reports, Series 20. Up to 1969 only averages for all sales were reported but from then on the series is broken down into tenanted and with possession sales, into sales of land with buildings and bare land, and, into sales by size of farm and by area. Four indicators of price movements are also given (Table II.B.3).

The major disadvantage of the above series -that of time lag - has been recognised by MAFF which, since 1974, has published an up-to-date series (Table II.B.4) based on information supplied by the AMC and ADAS. This ADAS/AMC series has the merit of being right up to date; it presents its information quarterly in MAFF Press Notices in the form of monthly rolling averages (see footnote to Tables II.B.4 a and b). It relates only to vacant possession sales and does not attempt any further breakdown of the material.

Table II.B.1

Average price of farms* sold at auction (Oxford Institute series), England and Wales - £ per ha

	With possession	Tenanted
1970	605	+
1971	647	543
1972	1472	1317
1973	1870	1240
1974	1571	+
1975	1331	+
1976	1813	951
1977	2448	1208
1978	3279	2039

* 10 ha (approx.) and over

\+ insufficient sales reported

Source: The Farmland Market (Estates Gazette and Farmers Weekly).

Table II.B.2a

Median price of farms* sold at auction with possession. England and Wales - £ per ha

Size group ha (approx)	1974	1975	1976	1977	1978	Interquartile Range 1978
10 - 19	2246	2115	2560	2824	3969	3278 - 4942
20 - 39	1747	1547	2016	2658	3425	2639 - 4244
40 - 59	1492	1342	1856	2367	3126	2362 - 3762
60 - 79	1567	1166	1831	2423	3264	2711 - 3869
80 - 99	1416	1201	1668	2228	3181	2402 - 3771
100 - 139	1337	1189	1609	2531	3480	2848 - 4016
140 and over	1280	1092	1730	2323	3595	2581 - 4433
Region						
North	1594	1411	2076	2678	3711	2815 - 4432
Wales	1142	1213	1475	1825	2253	1827 - 2998
West Midland	1893	1619	2412	2831	3363	2868 - 4361
East Midland	1616	1421	1942	2615	3653	3165 - 4104
East	2095	1680	2100	2785	3736	3264 - 4502
South-West	1888	1470	1757	2402	3227	2599 - 4011
South-East	1767	1359	1925	2710	3505	2985 - 3968
All farms	1685	1483	1964	2526	3380	2630 - 4118

* 10 ha (approx.) and over

Table II.B.2b

Median price of bare land* sold at auction with possession. England and Wales - £ per ha

Region	1974	1975	1976	1977	1978	Interquartile Range 1978
North	1626	1381	1977	2590	3549	2790 - 4575
Wales	1492	1428	1759	2474	3093	2343 - 4003
West Midland	1769	1596	2170	2583	3802	3105 - 4589
East Midland	1520	1431	1925	2376	3426	2806 - 4042
East	1569	1292	1804	2471	3467	2584 - 4166
South-West	1517	1648	1831	2233	3130	2471 - 3883
South-East	1895	1337	1591	2256	2629	2145 - 3469
All land	1621	1483	1905	2409	3354	2607 - 4118

* 2 ha (approx.) and over

Source: The Farmland Market (Estates Gazette and Farmers Weekly).

Table II.B.3

Indicators of land prices in England and Wales
(Sales of 4 ha and over) 1966-78

Sales reported in the period	Average price of land sold (£ per ha)	Average land value	Total land stocks Price index (Mid 1970 = 100)	Land sales price index
Oct 65 - Mar 66	420	420	96.5	88.3
Apr 66 - Oct 66	405	418	96.9	86.9
Nov 66 - Apr 67	427	415	97.0	89.8
May 67 - Oct 67	432	410	95.8	89.6
Nov 67 - Apr 68	447	442	103.4	94.6
May 68 - Oct 68	460	437	103.2	95.5
Nov 68 - Apr 69	499	472	111.4	103.4
Apr 69 - Sep 69	479	450	107.0	103.4
Oct 69 - Mar 70	497	430	102.6	101.1
Apr 70 - Sep 70	492	423	100.0	100.0
Oct 70 - Mar 71	482	432	102.3	104.1
Apr 71 - Sep 71	467	418	99.2	105.3
Oct 71 - Mar 72	514	452	107.0	110.4
Apr 72 - Sep 72	578	507	120.2	127.6
Oct 72 - Mar 73	939	830	196.5	200.0
Apr 73 - Sep 73	1250	1176	277.2	282.1
Oct 73 - Mar 74	1512	1275	302.1	308.3
Apr 74 - Sep 74	1436	1218	286.2	278.4
Oct 74 - Mar 75	1299	1196	281.8	252.3
Apr 75 - Sep 75	1109	895	211.5	223.2
Oct 75 - Mar 76	1076	917	212.4	225.8
Apr 76 - Sep 76	1086	917	213.4	238.8
Oct 76 - Mar 77	1287	1111	261.4	281.7
Apr 77 - Sep 77	1295	1164	273.1	294.6
Oct 77 - Mar 78	1747	1553	discontinued	359.4
Apr 78 - Sep 78	1860	1600		389.0

Notes: The Average Price of Land Sold is obtained by dividing the total value of sales by the total area sold. The figure obtained for each half-yearly period is thus affected both by changes in the price of particular categories of land, defined by say location and size, and by the composition of sales in that half-year. Thus, for example, an increase in the price of all categories of land could be masked by a change in the distribution of land sales towards the lower priced categories. The other three indicators attempt to correct for this factor, but in different ways.

The Average Land Value is obtained for each half-year by weighting the average price of land sold in each category, defined by area size group, type of tenure and type of farming area according to the total area in the corresponding category as indicated by the results from the most recent June Agricultural Census.

Table II.B.3 continued

The Total Stocks Price Index is similarly calculated except that the weights are constant from half-year to half-year and relate to the 1970 June Census, with the result being expressed relative to mid-1970 = 100.

The Land Sales Price Index is calculated by revaluing the sales in one half-year period at the average prices, for each category, in the next half-year period, constructing the ratio between these two aggregate values and repeating this process for each pair of consecutive periods to form a linked index with mid-1970 = 100.

A more detailed explanation of the methods of calculation and uses of these four indicators is provided in the ADAS Technical Report 20/6. This report also details the break in series which occurred at April 1969. The break affected the three indicators which incorporate weighting procedures and is indicated by a solid line in the table above.

Table II.B.4a

ADAS/AMC land price series,[1] England and Wales,
(Sales of 4 ha and over)
1974 - 7 (monthly)

Sales agreed in three months ended	Number of sales	Area involved '000 ha	Average price £ per ha	Index 1973 = 100
May 1974	341	12.3	1646	96
June	335	13.5	1606	88
July	325	14.0	1562	90
August	265	12.8	1483	82
September	270	10.8	1426	80
October	268	11.3	1362	74
November	257	10.7	1339	71
December	199	9.3	1221	64
January 1975	137	6.8	1127	62
February	105	5.1	1033	63
March	146	7.6	1077	62
April	186	8.3	1112	65
May	217	10.0	1233	72
June	245	10.8	1240	72
July	295	14.2	1193	70
August	317	15.2	1161	67
September	346	18.1	1176	67
October	336	16.9	1228	71
November	345	17.8	1226	69
December	287	13.2	1253	67
January 1976	218	10.6	1254	68
February	202	10.3	1299	73
March	271	13.3	1381	76
April	337	13.8	1472	80
May	401	14.6	1537	84
June	439	16.8	1562	83
July	445	21.6	1502	81
August	444	22.3	1510	83
September	465	22.4	1552	88
October	491	20.2	1655	94
November	445	18.0	1731	101
December	311	13.9	1690	99
January 1977	198	9.7	1768	107
February	186	8.5	1728	104
March	255	9.9	1992	109
April	374	12.4	1936	102
May	454	14.6	1965	105
June	497	16.3	2000	106
July	490	18.7	2155	117
August	477	20.0	2304	131
September	545	22.1	2348	126
October	586	21.1	2343	128
November	598	20.9	2358	130
December	421	14.1	2377	132

1 Vacant possession sales prices summarised in a series of three-monthly rolling averages.The average price for any month in the table relates to sales of vacant possession land contracted in that month and the previous two.The price averages are weighted by area and size group to calculate the index which is thus a truer representation of market movements.

Source: MAFF Press Notices.

Table II.B.4b

ADAS/AMC land price series, England, (Sales of 5 ha and over) 1978-9 (monthly)

Sales agreed in three months ended	Number of sales	Area involved '000 ha	Average price £/ha	Price index [1] 1973=100
1 9 7 8				
January	260	9.1	2648	131
February	187	6.3	2715	134
March	216	6.9	2738	136
April	300	9.7	2765	138
May	388	13.3	2814	142
June	411	15.3	2886	147
July	428	18.2	3120	157
August	383	16.2	3132	161
September	418	18.4	3234	165
October	423	15.4	3200	169
November	420	14.9	3440	179
December	326	9.6	3721	197
1 9 7 9				
January	199	6.0	3963	209
February	121	3.7	4080	212
March	172	4.8	4089	206
April	254	6.7	3878	201
May	376	9.3	4150	215
June	395	10.9	4258	231
July	457	14.5	4384	223

N.B. The figures for the most recent three month periods are provisional and are subject to revision as information becomes available about other sales in these periods. In particular, the number of reported sales and total area sold are likely to increase.

1 The weights used in the construction of the index are derived from the sales of land with vacant possession in each of the seven MAFF administrative regions in England and each of five area size-groups reported in the series during the three year period 1974-76.

(iii) Country Landowners' Association (CLA)

A description of land price information available for England and Wales would be incomplete without mentioning the quarterly series published by the CLA. This is based on information collected from something over 150 chartered surveyors in all parts of England and Wales. Each one fills in a form every quarter giving the number of sales and the total amount of land, average price and range of prices in several categories. The CLA holds that the surveyors are thus more likely to include all sales rather than only those they want publicised. Sales are distinguished between tenanted and vacant possession, over and under 40.5 ha and lowland and hill land.

An additional feature of the CLA series is that it provides information about sales to institutions. This provided the first evidence on the interesting question of to whom agricultural land was being sold. More recently, and more reliably, further information on this matter has from time to time been provided in the MAFF Press Notices on land prices.

(iv) Department of Agriculture & Fisheries for Scotland (DAFS)

A land price series for Scotland has been available since 1949 (Mackenzie, 1974). Between 1949 and 1962 information is available only for sales of farms of over 40.5 ha. From 1963 to 1975 this lower limit was reduced to 8.1 ha and from 1976 onwards all sales of 2 ha and over are covered. Scottish Land Sales are recorded in the General Register of Sasines and copies are sent to the Valuation Offices of the Inland Revenue. Details are then sent on to DAFS. The following different categories of sale are recorded:

A Land remaining in agriculture -

1. equipped farms (land and buildings)
2. bare land
3. 'non-genuine' (family) sales
4. price unduly affected by non-agricultural considerations
5. estates (multi-farm, both in-hand and tenanted)
6. other

B Land sold for non-agricultural purposes -

7. roads, housing, industry
8. afforestation
9. other development (e.g. mineral working)

C Non-agricultural land.

The following categories are also distinguished - vacant possession and tenanted, hill and upland and other, broad regional groups, size groups and price distributions. Altogether these provide a very complete picture of the land market in Scotland. Table II.B.5 gives some recent figures.

Until comparatively recently sales at public auction were relatively rare in Scotland. The usual method of sale was by

private treaty or sealed offer, this being the method favoured by solicitors who, in Scotland, are the traditional selling agents. This means that records of sales at public auction cannot provide an alternative and more up to date source of information - as is the case south of the Border. The sale price information provided by DAFS relates to date of sale and this presumably means date of completion. No information exists respecting the time interval between the bargain being struck and the sale being completed.

In 1977 the Scottish Landowners' Federation initiated a quarterly survey of rural land values in Scotland along similar lines to the one carried out in England and Wales by the CLA.

Table II.B.5

Average sale prices of farms (Category One) in Scotland 1970-7. £ per ha

	Highland and Upland	Lowland
1970	119	304
1971	89	214
1972	133	403
1973	286	873
1974	412	955
1975	307	787
1976	424	902
1977	528	1259

Source: DAFS Scottish Agricultural Economics.

Land values in Scotland have tended to be lower than in England with good arable land regularly fetching less than similar land in southern and eastern England. In 1977 and 1978 however, and partly as a result of the weather experienced in both countries, the price of good arable land in Scotland rose to £6,500 per ha well ahead of that in England but since the autumn of 1978 that margin has been greatly reduced.

(v) The Land Market in Northern Ireland

Statistics on sales of agricultural land are less abundant in Northern Ireland than in other areas of the UK. Apart from data relating to sales of land made under the various Land Acts(Table II.B.6) the only official series is of average land prices from 1959 onwards and is obtained from information collected for Land Registration and Inland Revenue purposes by the Department of Finance, Northern Ireland. Sales for non-agricultural use and of holdings smaller than 2 ha are excluded.

Because of the facility of letting land in conacre the proportion of the agricultural area reported as being sold each year is relatively small, and tending to fall. In 1959 sales of agricultural land totalled about 17,000 ha, but in recent years sales have declined to some 8,000 ha annually, about 0.75 per cent of the total agricultural area. The average area of

the holdings being sold has shown relatively little change from year to year at around 10-12 ha. Currently about 700-800 sales are made a year compared with over 1,400 in the early 1960's. Although the number of agricultural holdings is declining steadily over time nevertheless sales have fallen more rapidly; at present about 1.5 per cent of holdings are sold each year compared with slightly over 2 per cent in 1959 (Alexander,1967).

Because details of land quality, or the presence of a farm dwelling or of farm buildings are not available the analysis of land prices is limited to the locality of the sale within Northern Ireland and to the effect of the size of the holdings being sold upon the average price. However, because few sales are made in any period averages can be markedly affected by the impact of individual sales in a given area or size group. For most purposes therefore, the overall average of prices paid is the best indicator of trends in land prices in Northern Ireland. This series, given in Table II.B.7 shows that prices increased 10 fold between 1959 and 1977 and by 50 per cent again in 1978. At present, average prices per ha are approaching £3,000 compared with £163 in 1959. The average price paid by some 300,000 tenants in the whole of Ireland to their landlords under the various Land Acts for almost 4 million ha of agricultural land was about £26 per ha (Table II.B.6).

Table II.B.6

Land purchases in Ireland under the various Land Purchase Acts, 1870-1920

Land Purchase Act(Year)	No.of Holdings Purchased	Total area (acres)	Total Purchase Money	Cash Lodged by Purchasers	Amount of Advances
			£	£	£
1870	877	52,906	859,522	344,986	514,536
1881	731	30,657	355,594	114,793	240,801
1885-88	25,367	942,625	10,162,834	170,298	9,992,536
1891-96	46,834	1,482,749	13,401,226	254,334	13,146,892
1903	204,341	6,526,344	70,949,360	859,651	70,089,709
1909	18,658	625,213	5,538,341	153,348	5,384,993
Total	296,808	9,660,494	101,266,877	1,897,410	99,369,467

Source: H.M.Government, Northern Ireland, 1947.

Prices paid for the smaller sized parcels of land (2-8 ha) have consistently achieved the highest average prices per ha probably because many include a dwelling house. Prices paid for larger holdings (40 ha and over) normally show a much lower average price but with a higher degree of variability, reflecting the varying proportion of farms from marginal or upland areas with large areas of rough grazing. Average prices paid for agricultural land have tended to be higher in Northern Ireland than in other parts of the UK and to follow closely the movement of NFI with a one year time lag (Whatmough, 1973).

There is little evidence of any substantial activity by institutional bodies in the land market in Northern Ireland. This is probably due to the small average size of holdings being sold; very large farms or estates appear for sale only infrequently.

Table II.B.7

Average prices paid[1] for agricultural land in Northern Ireland

Year	No. of sales	Total value	Ha	Average price/ha
		£ million		
1959	1,348	2.73	16,754	163
1960	1,431	2.80	17,037	164
1961	1,423	3.36	16,835	200
1962	1,241	3.00	14,123	212
1963	1,286	3.36	15,175	221
1964	1,249	3.56	13,597	262
1965	1,194	3.62	13,435	269
1966	1,397	4.29	15,241	281
1967	1,164	3.99	14,487	275
1968	1,235	4.26	12,832	332
1969	1,248	4.48	12,899	347
1970	1,046	4.27	10,441	409
1971	1,001	4.92	10,469	470
Jan 1972-Mar 1973 [2]	1,237	8.94	13,622	656
Apr 1973-Mar 1974	901	9.32	11,221	831
Apr 1974-Mar 1975	694	7.95	7,967	998
Apr 1975-Dec 1975 [3]	423	4.78	4,315	1,108
1976	753	10.60	7,922	1,338
1977	828	15.34	9,325	1,645
1978	701	18.23	7,435	2,452

1 Sales below 2 ha and for development are excluded. No adjustment has been made for an average delay of about 3 months from date of sale to reporting period

2 15 month period

3 9 month period

Source: Whatmough based on Dept. of Finance, Northern Ireland data. Private correspondence.

II.B.(c). Conclusion

The preceding section described the main sources of information on farmland prices in England and Wales, Scotland and Northern Ireland. All sources suffer from one or other defects. For example, although the main series produced by MAFF has the great advantage of relating to all sales of farmland it has the great disadvantage, particularly in times of rapidly changing prices, of relating to the wrong time period. On the other hand, the series produced by the Institute of Agricultural Economics at Oxford relates to the right time period but only to those sales made at public auction. The user of these statistics must therefore choose which series is appropriate for his particular purposes.

For England and Wales information on sales is broken down into the following categories: location (in very broad terms), land with or without buildings, with possession or tenanted, and size of farm or parcel sold. More detailed information is available for Scotland. No information is generally available regarding the quality of the land or the condition of the buildings nor regarding the type of farming practised. No information exists regarding the type of seller, i.e. private landowner, type of institution or owner occupier; nor, until comparatively recently regarding the type of buyer. In Scotland, however, sales to sitting tenants have been distinguished separately for some time. It would also be useful to know the purpose for which the land was bought, e.g. to enlarge an existing farm, for investment purposes or whatever.

Finally, some brief mention should be made of the major variables which appear to affect the price of farmland. In general terms these are similar to the categories outlined at the beginning of the preceding paragraph; but 'location' will embrace elements of expected agricultural return, residential value and a hope element. Land with a farmhouse and buildings is to be expected to fetch a higher price per ha than bare land. In fact there is very little difference; but the real effect is masked because bare land is generally sold in quite small parcels, which always fetch a higher price. The earlier analyses of farm land prices invariably showed a strong negative relationship between size of farm and price per ha. Recently, this has become less pronounced, possibly due to the increasing profitability of large farms.

Hyder & Maunder (1974) attempted to analyse the determinants of variations in the price of farmland; but they concluded that, without the possession of more detailed information regarding individual farm sales any analysis was bound to be incomplete. So far as external influences are concerned, such as the condition of the property market, Clayton & Maunder (1977) examined these (among other things) in the context of changes in the price of land over a period of twenty five years.

Section II.C.(a) and II.C.(b) which follow are concerned with legal questions. The well informed and those with a legal training are likely to find them relatively straightforward, more general readers might not. Section II.C.(c)takes up the same matters in broader more functional terms.

II.C. Arrangements relating to inheritance and land transfers

II.C.(a). Beneficial land ownerships

(i) Estates and tenure

People in England own only a right or interest in land, and not, as in other countries, the land itself which technically, is all owned by the Crown. The right to occupy, the right to occupy at some future date, the right to take the rents and profits of the land, the right to the capital value on sale, the right to determine when and to whom the land shall be transferred are all interests in one piece of land that can each be held by different individuals and yet exist simultaneously as interests in that piece. Freehold describes tenure, how the land is held from the Crown without payment of money or service. Freehold is effectively absolute ownership. The fee simple is the greatest estate that exists. 'Fee' denotes that it is an estate that can pass by inheritance and 'simple' denotes that it can do so without any condition, limitation, or restriction as to heirs. The holder may leave his interest by will to whomsoever he wishes and if he dies intestate, without making a will, it is held for the benefit of his spouse and heirs.

The owner of the fee simple may carve out of his estate a lesser interest, a term of years, and thus create a lease transferring the right to possession of the land to someone else, in return for a periodic payment of rent or a capital sum. The leaseholder of this term holds the land from the fee simple freeholder and may choose to occupy the land himself or in turn carve out a lesser interest, which must be a shorter term than he holds himself, and grant a sub-lease. Since the major land legislation of 1925, only these two estates, of fee simple absolute and leasehold term of years absolute can exist as legal estates. Legal estates in land bind all the world; they are enforceable against everyone whether they know of their existence or not. The 1925 Property Legislation was designed to simplify the transfer of legal interests in land. It abolished the final incidents of the feudal system and streamlined the system to permit just these two legal estates. But, in doing so, it increased the importance of interests in land which are held enforceable against other persons but do not exist in law as a right in the land itself. These are equitable interests.

(ii) Common law and equity

The distinction between law and equity, between legal and equitable rights, is particularly important in land law. Often it involves trusts. A trust is a relation or association based on confidence between one person or persons who hold the legal estate in land on behalf of, and for the benefit of, another.

(9)

The beneficiary does not hold a legal estate in land, but he does enjoy the rights of occupation, or rent, and profit from the land held in trust for him. The holder of the legal estate in land as trust is generally a trustee who does not benefit from his landownership but whose primary duty is executive, to carry out the terms of the trust. The rights of a beneficiary under a trust are equitable.

The development of equity has ensured that such rights are valid and enforceable against all the world with the one exception of a bona fide purchaser of the legal estate in the land who does not have notice of the equitable interest. The significance of this exception has been reduced since 1925 by the statutory registration of equitable interests. This is deemed to be notice of an equitable interest's existence to the whole world. Nonetheless, it is still possible that the owner of an equitable beneficial interest in land may not be registered. In that case it is possible that the legal estate may be sold to a bona fide purchaser against whom such an equitable interest will not be enforceable. This means that someone's unregistered equitable interest in land could be terminated by a purchaser of the legal estate in that land who did not have notice of the interest.

One of the original purposes of a trust was to ensure that land remained within a family and passed down a preferred line of succession. Thus, land left to A and B on trust for C for life, then to D for life, remainder to D's children creates a Trust with A and B as trustees ensuring the beneficial interest in the land passes from C to D, then to D's children. A and B hold the legal estate as joint tenants and trustees for C in the first instance as beneficial owner.

(iii) Rules against remoteness

The common law regards with hostility any attempts to remove the right to transfer land freely. The right of transfer is termed the right of alienation in law, and it is future control and limitation on the freedom of this right of alienation that must be restricted. The law has rules to prevent too remote control.

The law against perpetuities has evolved to prevent land being settled on trust perpetually so allowing a man to dictate the descent of rights to possession for generations after his death. In essence, the rule renders void any arrangement which actually or potentially prevents a certain absolute interest arising for more than a life in being and 21 years thereafter, or, an alternative fixed specified term of up to 80 years. Thus, land may be settled on A for life and the remainder (the subsequent right to the interest) to such of his children as achieve 21 years of age because such children must come into their interest in land within 21 years after the end of A's life, a life in being when the trust was set up. But a settlement on A for life, then to A's son for life, remainder to A's sons' sons would fail because the interest in land would not for certain go to identifiable persons absolutely within the

perpetuity of a life in being and 21 years. Legislation in 1964 allows one to wait and see whether the interest does belong absolutely to a person or persons within the perpetuity period. Only if it then does not, does the trust fail, and the land reverts to the estate of the settlor for the benefit of his successors.

Historically, remote control of the transfer of property was also made possible by the creation of the estate of fee tail. The fee tail was an estate limited to inheritance by lineal descendants only, to the heirs of the body, the children of the creator of the estate. Since 1925 it can exist only as an equitable interest, and the legal estate of fee simple has to be held on trust for the beneficiary of the equitable interest, now called an entailed interest.The fee tail could only pass to the next heir and was designed so that the interest could be transferred to no-one else. As the common law regards the right to transfer land freely as inviolable, the fee tail became readily convertible into a full fee simple at an early date. Now, the entail may be barred, that means the transfer to heirs alone may be removed, by a 'disentailing assurance' during the lifetime of the owner of the entailed interest, or by careful wording in his will. Either way, provided the holder of the entailed interest is in possession of the property, it can be freed from this major limitation to transfer.

II.C.(b). Land transfer

When an interest in land is transferred by one living person to another the deed or instrument by which this is done is termed a conveyance. When a property is left by a deceased person, it is transferred by will, or, if the deceased leaves no valid will, according to the rules of intestacy. This section focuses on the major differences in the powers of transfer of the different interests in land, comparing transfer during lifetime with that on death.

(i) The legal estate - fee simple absolute in possession

This is the first of the two interests in land that can be described as legal estates. The fee simple absolute in possession approximates to absolute ownership. The owner of such an estate can freely transfer his estate to another during his lifetime by a conveyance. Qualified solicitors are the only persons allowed to carry out conveyancing in return for payment. The main task of the conveyancer is to ensure that the purchaser acquires a good title to the land which the vendor purports to sell. Since the 1969 Law of Property Act this entails tracing the title back at least 15 years to ensure the present owner has a valid claim to the land he wishes to sell, and that it is free from third party rights.

Transfer of the fee simple on the decease of the owner may be made in accordance with a valid will under the Wills Act 1837 to whomsoever the owner wishes. Nonetheless, it has been the practice for landowners to leave the majority of their wealth, and usually all the land, to the eldest son in accordance with the English tradition and common law rule of

inheritance of primogeniture. There is a dearth of statistical evidence as to how many landowners still leave their estate in land to the eldest son. Many agricultural landowners spread their land assets amongst members of the family to mitigate the effects of a progressive tax on capital structure. But among the long established large landowners primogeniture is often maintained to retain central control and support the often onerous liability of large houses and their valuable contents.

On the death of the owner of the fee simple, it passes under a will via the personal representatives, the executors, to whomsoever it is devised. If the owner of the fee simple dies intestate, then, the legal estate passes to the statutory personal representatives under the rules of intestacy laid down in the Administration of Estates Act 1925 to be held with all other property of the person dying intestate for the benefit of the deceased's spouse, his issue, or near relations. On intestacy, the legal estate is held by the personal representatives and ceases to be the beneficial form of ownership for the time being. It is replaced by the equitable beneficial interest of those for whose benefit the land is held on trust for sale. This form of trust is considered with others below.

(ii) Leaseholds

The second legal estate of a leasehold, a term of certain duration, can be carved out of the fee simple. The fee simple owner is then left with the interest of a fee simple in reversion because the beneficial rights of ownership he has granted to the leaseholder will revert back to him or his successors as the fee simple when the term of years expires. The owner of the leasehold can in turn carve a leasehold for a shorter term out of his interest and grant a sub-lease. The right to beneficial occupation of the land may thus need tracing through many leases to find the 'head' lessee who holds from the fee simple owner. Such a line of lessees is frequently found in the ownership of residential property, and the beneficial interest in a lease may be sold unless expressly forbidden in the lease. Transfer is made by assignment of the lease when the whole interest is sold in contrast to the creation of a sub-lease when a lesser part of the interest is carved out.

A lease is customarily used to describe longer terms of years and a tenancy for shorter ones. The agricultural tenancy is the legal estate of leasehold but for a term usually 'for year to year'. It is a creature of custom and statute. Agricultural land was traditionally let for a period of a year as the basic cycle of production for most arable enterprises. Sometimes longer leases have been granted. But, statute overlaps the common law and, under section 2 of the 1948 Agricultural Holdings Act, instead of the land reverting to the owner of the fee simple or the superior leaseholder, the owner of a fixed term of years in agricultural land automatically obtains a tenancy from year to year when the fixed term expires. (See Section III.B.(c)).

(iii) Transfer of interests under trust

The apparent complexity of a trust is more easily understood

when it is remembered that the holder of the legal estate in land holds it for the benefit of another. It can be that he holds it for his own benefit for the time being, but he will also hold it for the benefit of another. That benefit is an equitable interest. When considering transfers of land under trust, it is necessary to follow the transfer of both the legal estate and of the equitable interests and where the power for the disposition of both lies.

(a) Settled land and Settlements

Land is said to be settled if it is limited to several persons in succession, which means that the person for the time being in possession has no power to deprive the others who have a future right in that land to the right of their future enjoyment. The Settled Land Act 1925 defines the categories that comprise settled land. The most important categories are land limited in trust for any person by way of succession, land limited in trust for any person in possession for an entailed interest, for a base fee, or because he is a minor, or where the legal estate is subject to a condition or made determinable on the occurrence of some event. A fee simple conveyed to B provided he remains single is a legal estate subject to a condition. A fee simple conveyed to C until he marries is a determinable fee.

In such circumstances, the land is settled land and the instrument by which it is limited upon trust is termed the settlement. The person of full age who is for the time being beneficially entitled under a settlement to possession of settled land for his life is termed the tenant for life; he enjoys the beneficial equitable interest in the land, notably the right to rent and profit from it, and also has the legal estate vested in him to hold on trust for himself and his successors. On his death, his interest in the land ceases entirely, and does not pass to his legal personal representatives. Instead, the trustees of the settlement, appointed by the trust instrument or according to statute, take the legal estate as special personal representatives and transfer it to the person next entitled under the settlement. If the settlement comes to an end with the decease of the tenant for life, the trustees transfer the legal estate by simple assent to the person absolutely entitled.

It can be seen that the tenant for life has no interest to devise on his death but otherwise enjoys almost absolute rights of ownership. During his lifetime he may, on giving a month's notice to the trustees, sell or exchange land comprised in the settlement, transferring the legal estate, providing it is done at the best price obtainable; he may lease the land at the best rent obtainable, for up to 999 years for forestry and building, 100 years for mining and 50 years for any other purpose. He may even mortgage the property for limited purposes. But any capital monies so obtained must be paid to at least two trustees, who hold it for the benefit of successors to the tenant for life. The beneficial interests of the tenant for life and his successors are transferred from the land to the capital. However although the tenant for life may not have these statutory powers

removed he cannot exceed them either. Any transaction that does so is void. The tenant for life cannot delegate or assign his statutory powers, he can only surrender his life interest, although not necessarily to the remainder-man next entitled under the settlement. Furthermore, he is bound to exercise his own powers in good faith for the benefit of all the beneficiaries under the settlement.

(b) Discretionary Trusts

Discretionary trusts may be either settlements or, trusts for sale. Under them land is settled but there is no tenant for life; it is up to the trustees to distribute the rent and profits from the settled land to whomsoever they think fit within any limited class that may have been laid down by the settlor. Under such a trust, the trustees are termed the statutory owners and hold both the legal estate and the powers of the tenant for life. As such, they may well have been given the power of appointment, to dispose of the property to whoever they think fit. If it were a general power, then there would be nothing to prevent them transferring the property to themselves (although trustees cannot readily do this) if it were a special power it would be to a limited class of persons. This power to decide to whom the legal and equitable interests in land shall be transferred, can exist as a right in property with or without the holder of the power holding any interest in the land in question.

Under a discretionary trust, it is the executive, non-beneficial owners who hold the legal estate and distribute the benefit of the equitable interest, and it is they, too, who must ensure that the legal estate is transferred and vested absolutely in a beneficiary before the end of the perpetuity period. The rules against remoteness will invalidate any arrangement which does not terminate and vest the interests absolutely within a life in being and twenty-one years or, the alternative fixed period of eighty years, if specified.

(c) Trust for sale

A legal estate held by trustees limited on immediate and binding trust for sale comes outside the definition of settled land and beyond the control of the Settled Land Act. In practice, this seemingly temporary form of land ownership can last just as long as a settlement and be much more flexible. Providing that the trustees unanimously agree, they have the power to postpone the sale of the land implied by the trust for as long as they wish. Furthermore, the trustees' power of sale may be made subject to consents, although the purchaser need only ensure that he has obtained consent from two of the required people if more than two consents are required.

A beneficiary, although technically holding an interest only in the money representing the land, is nonetheless entitled to be in possession of the land. Although the power of sale remains vested in the trustees, the beneficiary of full age must be consulted by the trustees, and effect given to his wishes to keep or sell the land as far as is consistent with the trust.

Furthermore, the trustees may delegate the powers of leasing and of accepting surrenders of leases, together with the duties of day-to-day management of the legal estates, to any person of full age beneficially entitled to possession. The beneficiary's equitable interest under a trust for sale is therefore substantial, although it does not extend to his being able without consent to transfer the legal estate to whomsoever he wishes in the duration of his interest, as a tenant for life may do under a settlement.

On the death of a beneficiary under a trust for sale, his interest ceases and does not accrue to his estate. However, if the purpose of the trust for sale was to provide him with capital when the property was sold, then it is the duty of the trustees to ensure that the deceased's successors benefit unless the trust for sale expressly provides for someone else to benefit. Moreover, the power of transfer remains in the hands of the trustees together with the legal estate.

(d) Statutory trusts for sale

(a) Co-ownership

The same interest in an identical piece of land may be held by more than one person ; they hold the land as joint tenants or as tenants in common. Joint tenants hold their interest in precisely the same piece of land, from the same time, under the same act or document, for the same extent and duration and in the same way. The law regards them as one person. When a joint tenant dies, no interest in the land accrues to his estate whatsoever, his interest merges into those of the surviving joint tenants. He who lives longest takes the entire legal estate absolutely. A tenant in common, however, holds an undivided share in the interest and when he dies, his share passes to his successors via his personal representatives. The tenant in common only holds an equitable interest but it is the equitable interest that is beneficial and of value.

(b) Intestacy

Since 1925, when a person dies intestate, any interest in land that survives him is held upon statutory trust for sale, for the benefit of his spouse and relations according to statutory rules.

The surviving spouse, if there is one, is the first beneficiary. If the deceased leaves children she takes personal chattels (the contents of a home rather than the house itself) absolutely, £8,750 absolutely and a life interest in half the residuary estate. If the deceased leaves no children but leaves near relations (defined as parents, and brothers and sisters of the whole blood and their children) then, the surviving spouse takes £30,000 absolutely and half the residuary estate absolutely. If the deceased leaves neither issue nor near relatives, the surviving spouse is entitled to the entire estate absolutely. Subject to this prior right of the surviving spouse, any property of a person dying intestate is held on statutory trusts for the deceased's children who achieve their majority, in equal shares.

If the deceased has no children who achieve their majority then the relatives of the deceased are entitled to the beneficial interest in the order laid down below. Any member of a class who takes an interest (in equal shares if there is more than one member of that class) excludes all members of subsequent classes from benefitting. The first two classes take an interest even when there is a surviving spouse. The others cannot benefit if there is one.

(a) Parents of the deceased - absolutely

(b) Brothers and sisters of the whole blood

(c) Brothers and sisters of the half blood

(d) Grandparents

(e) Uncles and aunts of the whole blood

(f) Uncles and aunts of the half blood

(g) The Crown.

An interest in land left by a person dying intestate reverts to the Crown only if no near relations are extant. The 1925 legislation abolished the feudal right of escheat or reversion to the superior lord of all the land. It was replaced by the mechanism that, as the land had no owner, it comes within the definition of '<u>bona vacantia</u>' (goods without an owner) which belong to the Crown anyway. The Crown has a statutory discretion to waive its right and provide for the dependents of the deceased whether related to him or not, and for others for whom he might reasonably have been expected to make provision.

II.C.(c) <u>Trusts and arrangements</u>

(i) <u>Introduction</u>

Recent legislation and, in particular, CTT 1974-5 and the succession of agricultural tenancies (1976), has given rise to a major reorganisation of ownership structure by all but the most conservative (or uninformed) landowners. From the clearcut and widespread practice of individual absolute ownership, and the similarly established landlord-tenant system, the move now is towards trusts, some old some new, and other more informal and novel 'arrangements' in an attempt to achieve economic viability within the traditional idea of family ownership.

Trusts have far more wide-reaching implications than their commonly regarded role of tax-avoidance. They have a unique relationship with the family unit, and have always been the ideal device not only for ensuring that the land stays within the family, but that an unsuitable member does not succeed to it. These advantages remain, especially where there is some degree of 'arrangement' relying not so much on the law but on a mutual 'trust' between family and friends (i.e. trustees).

Similarly, informal agreements are tending to replace the former legal relationship between a landlord and tenant. This pattern is acknowledged in the Northfield Report (para.128) which quotes evidence from the Grosvenor Estate Trustees that, 'The landlord .....will take such opportunities as may arise to bring an end to traditional farm tenancies and devise other means of ownership and occupation outside the agricultural holding's legislation'.

(ii) The extent of Trust Ownership

Since there is, as yet, no national register of agricultural landownership, and since trust ownership can in no way be extrapolated from Inland Revenue statistics, the only data available are from surveys. Because of tax changes penalising trusts any survey carried out before 1975 gives a misleading picture of the extent of trust ownership today, and indeed, such seems to be the current level of activity that any survey runs the risk of being out-of-date almost as soon as it is published. That caveat applies to the statistics which follow.

(a) AMC survey, 1976

There have been two official surveys of agricultural land ownership since 1975. The first was carried out by the AMC on behalf of the Agriculture EDC's Finance Working Party, in early 1976. It was a postal survey limited to England and Wales and, primarily, to agricultural landlords. The total area included was approximately 2,884,000 ha (about 9.6 per cent of the total agricultural land and woodland in England and Wales). The numbers of estates were evenly spread over size groups ranging from under 20 ha to over 1215 ha but about 68 per cent of the area represented estates of over 405 ha. The categories of ownership on the questionnaire relating to trusts were, unfortunately, rather misleading in that 'tenants for life' were classified as 'individual landowners'. Charitable trusts were recorded as'institutional owners' not as trusts at all. The effect of this is that trust ownership, divided only into 'discretionary' and 'other' trusts is severely underrepresented. The results of the survey are illustrated in Table II.C.1.

Table II.C.1

Results of the AMC survey of landlords

Form of ownership	Area	
	ha	Percent
Individual	1,089,892	37.8
Discretionary trust	642,623	22.3
'Other' trust	318,837	11.1
Other (company etc.)	832,616	28.8
Total	2,883,968	100.0
Total trust ownership	961,460	33.4

Source: Derived from Agriculture EDC,1977.

It may be concluded therefore, from this survey of an extensive and well-balanced sample taken throughout England and Wales, that trust ownership represented at least 33.4 per cent of the total area and, with a far greater degree of accuracy, that discretionary trust ownership represented 23.3 per cent of the total area, this being second only to the area in individual ownership.

(b) MAFF Wyre Forest Survey, 1978

The other official survey was carried out by the MAFF in early 1978. Although it selected only one small, but hopefully representative, geographical area, namely the Wyre Forest in the county of Hereford and Worcester, every holding within it was approached. The total area included in the survey was only 6,888 ha - 57 per cent, out of a total area in the Wyre Forest district of 12,144 ha. The average size of holding was 32.5 ha; the maximum size group was 'over 100 ha' within which there were only sixteen out of two hundred and eighty-five holdings, totalling 2,414 ha. With a sample of such small units the proportion of trust ownership would be expected to be low since it is rare for the advantages of a trust to a small holding to outweigh the costs of its establishment and administration. The categories used in the questionnaire were clearly defined in the accompanying notes, and trust ownership was divided into 'discretionary', 'non-discretionary', and 'charitable', but this subdivision of trust ownership was not recorded in the official report of the survey. The survey was carried out by means of a combination of interview and postal questionnaire, and the results are shown in Table II.C.2.

The area in trust ownership is small but nevertheless, when combined with the charities' figure, represents nearly 10 per cent of the total; trusts were found on even the smallest holdings but were concentrated on those of over 50 ha.

Table II.C.2

Results of the MAFF Wyre Forest Survey

Size group of holding (ha)	Area (ha) of ownership forms					
	Individual	Trusts	Charities	Public*	Other	Total
0-9.9	432	17	-	-	191	640
10-49.9	1,509	80	15	33	536	2,173
50-99.9	1,329	238	67	130	928	2,692
100+	1,369	294	108	852	566	3,216
Total	4,666	629	190	1,015	2,221	8,721
%	53.6	7.3	2.2	11.7	25.2	100.0

* UK central and local government departments or authorities

Source: Derived from Lund & Slater,1978.

(c) Abecassis, University of Cambridge Survey 1978

The only other recent source of data on the extent of trust ownership in England is a survey carried out by the writer in February-September 1978, the particular focus of which was the use of the trust by agricultural landowners. Fifty seven family units (some incorporating more than one geographical estate) were surveyed, and an even spread was achieved throughout England, although numbers were highest in the Home Counties. There was a minimum size of 405 ha for each family ownership unit, hence it employs a very different sample to either of the other two surveys. A total area of over 154,000 ha was surveyed, and represents approximately 1.2 per cent of the total agricultural land and woodland in England and Wales. With very few exceptions, owners were interviewed personally so that it was possible to analyse ownership patterns with a high degree of confidence. Trust ownership was subdivided into all its legal forms.

Table II.C.3

Results of the Abecassis survey

Size group of estates (ha)	Area of ownership forms (ha)							
	Individual	Discretionary trust	Fixed trust for sale	Accumulation & maintenance trust	SLA[1] 1925 settlement	Charity	Other	Total
0 -	977	-	-	-	-	-	-	977
404.7-	4,329	1,114	1,591	427	728	-	676	8,865
809.4-	7,309	563	49	1,244	2,773	-	1,639	13,577
1,214.1-	6,954	2,080	3,108	2,351	4,421	-	-	18,914
2,023.5-	4,796	6,775	7,728	-	2,387	2,339	272	24,297
4,046.9+	14,473	36,892	15,042	12,601	-	-	3,258	82,266
Total	38,838	47,424	27,518	16,623	10,309	2,339	5,845	148,896
%	26.1	31.9	18.5	11.2	6.9	1.6	3.8	100.0

[1] SLA = Settled Land Act

Source: Abecassis, 1978.

The survey shows an overwhelming predominance of land held in trust (70.1 per cent); this is double the percentage recorded in the AMC survey. The explanation, even with the AMC exclusion of tenants for life from trust ownership, must be that trusts are concentrated in the 405 ha and over size bracket,

although there is also the possibility that some trusts, where for instance parents hold for a child under eighteen, might be recorded, in a less thorough postal survey, as absolute ownership. The percentage of land held in discretionary trust ownership (31.9 per cent) is more readily comparable with that in the AMC survey (22.3 per cent).

(d) Conclusion

It is extremely difficult to come to any realistic conclusions about the national extent of trust ownership. However, the results of all three surveys indicate that it is considerable and that, at the time of survey discretionary trusts were at least the predominant form. In the Abecassis survey they dominated all other forms of ownership. Moreover, the next most widespread forms of trust in that survey were fixed interest trusts for sale and accumulation and maintenance trusts. These are the two most common forms of ownership into which discretionary trusts are converted when broken to avoid the periodic charge to CTT. The other form of ownership which is fairly comparable between the MAFF and Abecassis surveys (but not singled out in the AMC survey) is the charitable trust: about 2 per cent of the total area in both cases. It is probable that 'private' landowning charitable trusts will become increasingly important.

(iii) The workings of trust ownership

There is a wide variety of forms of trust ownership and, within each form, the classification of beneficiaries and the residence of trustees introduce legal and financial complexities which in turn cause tax liabilities to alter. In addition non-fiscal and family aspects of trust ownership vary enormously with the different legal forms.

(a) Discretionary trusts

A discretionary trust is one where the trustees are given a discretion to apply the income for the benefit of any one or more of a specified class, no beneficiary being able to claim as of right that all or any part of the income is to be paid to him; alternatively, the trust may be as to capital only, or, more usually, as to both income and capital.

Before the advent of CTT in 1974-75 discretionary trusts were popular for two main reasons. First, by giving his estate to a discretionary trust, the landowner freed himself from both capital and income taxation on the land. No Estate Duty was payable provided the settlor survived for seven years after making the gift (and this liability was usually covered by insurance). In addition,the income from the land once in the trust was no longer taxed in the hands of one individual (at his top marginal rate) but, either in those of the trustees at a maximum of basic rate plus 15 per cent, or, in those of several beneficiaries at their own marginal rates. The second, and less well known, reason for the creation of a discretionary trust was the practical one of family succession. If there was

no obvious successor to the title at the time when a parent and owner wanted to divest himself of ownership, a discretionary trust was the ideal solution; the estate was out of his hands, tax advantages were gained, but the choice of which child (or relative) should be given the estate could be postponed until the chosen beneficiary was willing and competent to undertake the responsibility. The device also permitted the children of large families to benefit without the division of the estate into uneconomic individual units.

The legislation of the Finance Act 1975 introducing CTT dashed the first of these advantages (that of the avoidance of estate duty) by imposing a ten yearly periodic charge on the trust fund, in addition to charges on 'capital distributions' and on the creation or termination of an 'interest in possession'. In other words, all discretionary trusts are liable to CTT every ten years at a rate of 30 per cent of the tax liability on the value of the entire trust fund, so long as the trustees retain their 'discretion' over any of the income and it is not allocated to a beneficiary for life. In addition, when any income or capital is allocated, CTT is payable. Hence, although the income tax and family succession advantages remain, in practice discretionary trusts have become an unwelcome form of ownership to landowners.

There have, therefore, been moves over the past four years on the part of the majority of landowners to change their ownership structure. The periodic charge was not to have become payable until at least 1st April 1980 and considerably reduced rates of tax have been payable on rearrangements of discretionary trusts made before that date. Hence there was nothing short of a scramble to break discretionary trusts before 1980. The Finance (No.2) Act, 1979, section 23, has, however, extended this time limit until 1st April 1982 in order to give the new Conservative Government time in which to consider possible amendments to the capital taxes legislation. The Abecassis survey found that 20 (out of 28) estates had varied or broken their discretionary trusts over the period 1975-78 and that, whereas 12 estates were entirely in discretionary trust in March 1974 (four of these being over 2020 ha), only three were entirely in trust at the date of survey. These changes are illustrated in Table II.C.4.

Nevertheless, the survey revealed there was still a large area in discretionary trust ownership, some of which will remain even after 1982. This retention of discretionary trust ownership seems to give a clear indication that, tax avoidance was by no means the landowner's only motivation in creating such trusts. Indeed, with a small discretionary trust it is possible to accumulate sufficient income each year (taxed at a maximum of 48 per cent, 1978-9) to pay the periodic charge when it is due, particularly if this fund is wisely invested, and still to enjoy all the advantages of this form of ownership.

Table II.C.4

The variation of Discretionary Trusts, 1975-8 in the Abecassis Survey

Area Group of each separately managed estates	Total area 1974	Total area 1978	Accumulation & maintenance trusts created	Life interests created	Absolute appointments
			ha		
404.7-	2,581	1,114	411	1,056	-
809.4-	2,738	563	1,244	-	931
1,214.1-	6,187	2,080	2,351	1,756	-
2,035.5-	11,068	6,775	-	3,484	809
4,046.9-	64,466	36,892	12,601	13,100	1,873
Total	87,040	47,424 (54.5% of 1974)	16,607 (41.9%)	19,396 (49.0%)	3,613 (9.1%)

Source: Abecassis, 1978.

(b) Settled Land Act 1925 settlements ('strict settlements')

Strict settlements, the more formal and traditional fixed interest type of trust, have not been created in great numbers this century. Unlike the discretionary trust, there is a charge to CTT (and formerly to Estate Duty) on the death of each tenant for life, and the conveyancing and administration is complex. This type of trust has nevertheless remained in use, particularly where it is desired to have a life-tenant and for him to have powers which can be exercised without reference to the trustees. There were eight strict settlements in the Abecassis survey, which had been created (usually resettled) between 1900 and 1959. The tenants for life had often encountered problems with them in practice, particularly where they had been drawn early in the century giving both tenant for life and trustees very limited powers.

The main problems are twofold, affecting the long and the short term. First is the very real problem of the rigid succession laid down in the trust deed. In many cases there is what is known as an 'entail male', which means that only the male heir of the tenant for life can inherit. Hence there were several cases in the survey where the tenant for life was eager to have a son and heir, and in others, where there were (for certain) only daughters, and fathers were reluctantly having to see the estate being destined to pass to a nephew. Before CTT,

tenants for life were at no major disadvantage, because they were free to assign all or part of their life-interest in the same way as an absolute owner could give away his estate. Now, however, many of the tax-mitigating options open to absolute owners or other less restricted limited owners, such as fragmentation of the capital or the payment of insurance premiums out of capital, are not open to the tenant for life of settled land - at least not without an expensive court application.

The short-term problem which has always plagued tenants for life of settled land - but which is probably lessening now as there are more modern settlements in force, and as the courts take a generally more lenient attitude - is that a tenant for life is entitled only to the income from the land, and it is the function of the trustees to preserve the capital for future generations. Hence capital funds are made available to him for only very limited purposes and there are many other seemingly 'legitimate' projects which he is bound to fund from his own resources. In many cases, particularly with traditionally settled estates, there are no other resources: all the family assets are tied up in settlement. There is the additional problem that, since the tenant for life has no rights to the capital as such, it is often extremely difficult to borrow money, as his only collateral is the value of his life-interest.

There are, nevertheless, advantages to strict settlements, not least of which is the traditional one that the family assets cannot be squandered by any disreputable member of the family. There is certainly no rush to break settlements and, indeed, one estate in the Abecassis survey was going to break a discretionary trust and add a large portion of the trust fund to an existing family strict settlement.

(c) Fixed interest trusts for sale

The distinction between a settlement and the more modern and flexible trust for sale is a fine legal one, and the only difference in practice is in the relationship between the tenant for life and the trustees. There is no difference for tax purposes: in both cases there is an 'interest in possession'. Modern trusts created to confer a life interest are almost all trusts for sale, so avoiding many of the problems discussed with reference to strict settlements.

The majority of trusts for sale encountered in the Abecassis survey were trusts where a discretionary trust had been varied into one or more life-interests. Until about 1960, where a life-interest was required a settlement was created, and where it was not, a discretionary trust was created - fixed interest trusts for sale, created as such, were therefore rare. It can therefore be said that the predominance of fixed interest trusts for sale today (they represented 18.5 per cent of the total area in the Abecassis survey) is largely due to the impact of CTT, but it is anticipated that their incidence will grow as the demand for fixed interest trusts continues.

(d) Accumulation and maintenance (A & M) trusts

The A & M trust is a creation of the Finance Act 1975

(Schedule 5 paragraph 15 as amended) and is, in effect, a tax-privileged discretionary trust for children under the age of twenty-five. The basic rule is that one or more of the beneficiaries must become entitled to an interest in possession in at least the income of the trust fund by the age of twenty-five. The only charge to CTT is on the creation of the trust.

The trust, so far as the capital is concerned, is fully discretionary in that the trustees may retain complete control for as long as they see fit. Where an A & M trust is created for the grand-children no tax-free life interest can be given to one of the children but, should one child wish to farm the land, the trustees can agree to grant him a lease and so produce income for both the child and the grand-children. If the settlor has young children himself, the scheme can clearly be more satisfactory. The charge to capital taxation is eliminated on one generation's transfer, and the practical advantages of a discretionary trust, such as not having to select a life-tenant before the obvious choice presents itself, are obtained without the burden of the periodic charge. Not surprisingly, the arrangement has proved very popular amongst landowners. A & M trusts were found to own 11.2 per cent of the total area in the Abecassis survey, and all but one small trust had been appointed out of discretionary trusts (claiming the pre-1980 reduced rate of CTT).

(e) Charitable trusts

Landowning charitable trusts may be divided into two categories, public and private. 'Public' charitable trusts such as the Oxford and Cambridge colleges, the Church Commissioners and the National Trust have been landowners for many years, and indeed own some 310,656 ha of agricultural land and woodland in England and Wales (Harrison, Tranter & Gibbs, 1977). However, 'private' charitable trusts (i.e. trusts created by the settlor for the purpose) are relatively new but can be advantageous where occupation is considered more important than ownership.

The charitable object may be chosen by the settlor, and may or may not relate to his own estate or village, or may be left open. So long as the surplus income of the fund is always applied to charitable purposes, any number of such purposes (regardless of the original object) may be benefited throughout the duration of the trust, so long as the settlor and his family retain no pecuniary benefit whatsoever. However, ownership of part of the land, and perhaps the main house, may be retained. There is no capital tax payable on the inter vivos creation of such a trust (but, on death, the CTT exemption is limited to £100,000) and, if the trustees grant a tenancy to the settlor or to his family, then the landowner (settlor) will have successfully divested himself of his capital, tax-free, and the family will remain in occupation of the land, although paying a full market rent.

There are many practical uses to which the land in trust may be put. In addition to having the family as tenant (paying a full rent) or as salaried manager, the trust can be an educational or religious one, or the land can be used to grant

tenancies of smallholdings to unemployed farmers (at proper rents). More and more such trusts are being created and the particular unwritten 'arrangement' with the trustees (of which the settlor will usually be a member) that the family continue a personal contact with the land whilst giving up all rights of ownership, appeals to many who are keen to see their estate kept intact.

(f) Employee trusts

The employee trust, as defined in the Finance Acts of 1975, 1976 and 1978, is an altruistic form of trust which can have interesting advantages for the landowner. It can only be created out of the shareholding of an existing landowning company, but this need not be a limiting factor since, if so desired, an 'individual' landowner can fairly easily (and cheaply) turn himself into a company for this purpose. One limiting factor is, however, that it is not available where there is no 'business', and hence to the owners of let land. The trust can be created either by deed or by will and (unlike the charitable trust) there is no limitation for the exemption from CTT on creation by will. So long as the conditions laid down in the Finance Acts are fulfilled, there will be no tax payable on the creation of the trust, which will be discretionary, and none on a distribution from the trust to the qualifying beneficiaries.

The conditions are, briefly, that the trustees must be given a majority shareholding, and that, the class of beneficiaries must be confined to all or most of the employees of the company, or employees of that trade (e.g. agricultural workers) throughout the country, and their families, or charities. Where, however, members of the family of the settlor, or certain 'participators' of the company are included within that class, they cannot benefit from the trust without CTT being paid on any distribution made to them. As in the case of the charitable trust, ownership must be forsaken and the family cannot expect to benefit from the trust financially but, unlike the charitable trust, certain members of the family can benefit upon payment of the CTT on that share alone. Also family control, in the sense of stewardship, of the company can be retained through a minority (up to 49 per cent) shareholding and through members of the family acting as trustees. Occupation of the land, by the company as opposed to its shareholders, can continue as before.

The employee trust as a form of agricultural landownership is a very new idea, and the writer has not yet come across any which have been created.

(g) Trustees

The common factor of all trusts is that the land is in the ownership of a body of trustees, whose functions and powers vary with the type of trust. It follows that the nature of the individuals which make up this body and the area of the law into which they fit, depending especially on their residence, is crucial to the optimum administration of the trust property.

(10)

(i) Influence

Trustees vary between two and four in number, and their general attitude can make or break the spirit of the trust, and the lives of the beneficiaries under it, according to whether or not they follow the letter or the spirit of the law. Traditionally, trustees were the friends or relatives of the settlor, usually professional men or men of some local standing; their function was very much to carry out his wishes and to preserve the trust property for future generations. In addition to this 'arrangement' of mutual trust, the law has developed to protect both the trustees, the beneficiaries, and the trust fund. The results of the Abecassis survey show that, of a total of 39 trusts amongst the sample interviewed, a total of 21, which included only 7 of the 16 discretionary trusts, had one or more members of the family as trustee. Very often these members of the family were solicitors, accountants or chartered surveyors, and virtually all the non-family trustees belonged to these three professions.

The beneficiaries of a discretionary or A & M trust, and the life-tenant of other trusts are utterly dependent in their land 'ownership' on the trustees. For instance, in the case of a trust for sale, the trustees must at law delegate powers of management, sale and so on to the life-tenant if he is to have them at all - without this he is simply entitled to the income. This point was illustrated in the case of one estate in the Abecassis survey where a discretionary trust was broken, but the son to whom a life-interest was to be appointed was not considered to be sufficiently responsible and trustworthy to be given physical control of the land - even for his own life. Hence a trust for sale was set up and he was given the income, but no powers of management were delegated to him. This is a very good example of the flexibility which the trust can still offer: from the point of view of the Revenue he had an interest in possession (i.e. the land was 'his'), but, in practice, he was divorced from any responsibility over it.

(ii) Residence

The other aspect of trusteeship, and an equally crucial one from the practical point of view, is residence. Trustees are treated as being foreign resident by the Revenue if the general administration of the trust is ordinarily carried on outside the UK, and, if a majority of the trustees themselves are neither 'resident' nor 'ordinarily resident' in the UK. In this case, they are not chargeable to Capital Gains Tax on any capital gains of the trust property, but if the settlor is 'domiciled' and either 'resident' or 'ordinarily resident' in the UK the chargeable gain is apportioned amongst the UK resident beneficiaries.

So far as Estate Duty was concerned, the residence of the trustees was immaterial since complete exemption could be obtained if either the settlor was domiciled abroad at the time when the trust was created, or the life-tenant was domiciled abroad at the time of his death, and the property itself was subject to foreign law. The latter condition, prima facie impossible to achieve with 'immoveable' land, could be effected

by the establishment of a foreign registered investment company which would acquire the land in exchange for shares - the shares (now the trust property) would be foreign property because of the foreign registration of the company. In this way, exemption was achieved on a not inconsiderable scale, especially amongst the larger and more adventurous landowners.

The relative ease with which exemption from Estate Duty could be obtained by means of foreign residence, however, was severely curtailed with the introduction of CTT. The effect of the new provisions is to continue exemption for 'genuine' foreign residence, but to stop easy 'export' of domicile to the offshore islands, and elsewhere, purely for the purpose of tax exemption.

The Capital Gains Tax advantages of foreign resident trustees nevertheless remain, and foreign resident trusts created before 9 December 1974 may well still obtain CTT exemption. In the case of the periodic charge for discretionary trusts, foreign resident trustees are liable to an annual charge to CTT at 3 per cent of the full rate with effect from 1st January 1976, or later, according to the date of creation of the trust, and the Finance (No.2) Act 1979 section 23 of which has extended the rather complex provisions governing the first occasion of this charge. This habitat does not however seem to have produced a rush to 're-import' such trusts. In the Abecassis survey, there were only three trusts with foreign resident trustees out of a total of 39, one of these having been created since 1974 (a fixed interest trust for sale) although the settlor appears to remain firmly domiciled in the UK. The low proportion no doubt reflects the general reluctance of landowners to enter into elaborate tax-planning schemes.

(h) The extent of agricultural licences

The Agriculture Act 1976, which gave the qualified right of succession to agricultural tenancies, has led to a drying-up of the market for tenanted land in the private sector, and to landlords being very keen to take their land back in hand wherever possible. It is, however, by no means always convenient for a landowner to farm the land himself, even with a manager, and so the 'arrangement' has developed of granting grazing agreements or licences. A licence does not create a legal interest in the land and the licensee, who occupies the land at the free will of the fee-simple owner, has none of the legal protection afforded to a tenant. Provided that the agreement is for a period of less than twelve months and contains no right of renewal, there is no 'danger' of the land forming a contract of tenancy (and thus giving security of tenure) under the Agricultural Holdings Act 1948.

The licensee is very often either a company or a partnership and either one usually includes at least one member of the landowner's family, and usually the fee-simple owner himself, amongst its membership. A common arrangement is a licence of the land to the landowner and a former tenant (or his son) in partnership - such an agreement, offering a considerable injection of capital to the tenant's farm business, is very

often used to induce a tenant to resign his tenancy, or a son not to apply for succession. Alternatively, an increasing area is now let on commercial grazing licence where the licensee, an individual, company or partnership (who has no connection with the family), pays 'rent' to the landowner, and to all intents and purposes, except in the eyes of the Agricultural Holdings legislation, the 'arrangement' creates a landlord-tenant relationship. Such arrangements especially relating to partnerships can be expected to become more widespread (Northfield,1979).

(i) Conclusions

Developments in the law over the last few years have been to give ever tighter control, be it in the field of taxation, landlord-tenant rights and obligations or, planning and development, while the reaction of landowners and farmers has been to hasten to their professional advisers in search of loopholes. However, loopholes are now fewer and where they do exist tend to be closed within a year or two and increasingly to be attacked with retrospective legislation. Hence the solution which landowners are choosing, and which they show every sign of continuing to follow, is one of 'arrangements' which almost by-pass the law. Nevertheless, whilst reaping the advantages of coming outside a land-seeking or tax-seeking law, the disadvantages of being outside the law must also be accepted.

Trusts originated in about the fourteenth century because landowners wanted to find a way of freeing their inheritance from the control of the common law and of feudalism. For many years, the arrangement was not recognised or enforced by the courts and hence, in order to reap the benefits, landowners had to rely entirely on a moral trust between themselves and their friends as trustees. At law, there was nothing to stop the trustee absconding with the property entrusted to his ownership. The developing situation today is not dissimilar to these beginnings of trust ownership. The new forms of A & M trust, charitable trust, and employee trust are all heavily dependent on the moral responsibility of the trustee. In the case of a charitable trust, for instance, a landowner may be persuaded to convey the freehold of his estate to charitable trustees on the understanding that a member of his family may rent the farmland back and that he may rent the principal house himself. But there is nothing, at law, to prevent the trustees from farming the land (through a trading company) themselves, or from letting it to an outside tenant, if they consider that this would be the most profitable action for the charitable objects of the trust.

Similarly, in the case of a grazing licence, the arrangement depends on mutual trust between the landowner and his tenant. Just as the landowner cannot achieve his family provision motives without relying on some degree of trust, so the prospective tenant today cannot find any land to farm without entering into some kind of 'agreement' with a landowner. The 'tenant' is sacrificing the ever-increasing advantages offered to tenants by the Agricultural Holdings legislation, and can, at law, be evicted by the landowner as each successive term of agreement expires. But, since there is a definite quid pro quo - the landowner wants to be relieved of the burden of managing and stocking the

farm, and the tenant wants land - farmers are prepared to accept these terms and rely on the moral trust of the landowner. In practice, the licensee farmer usually enjoys all the rights of a tenant during his lifetime - and he may even succeed in achieving a succession to the 'tenancy' for his son.

Whether trusts are used or not, it is noticeable that the unit of the family is becoming more rather than less important in the ownership arrangement of an agricultural estate. In the days of Estate Duty, and especially before the boom in values of 1972, it was easy for all the land to be retained in the absolute ownership of the head of the family for each generation, and for the tax to be avoided, mitigated or even paid, without a break-up of the estate. The provisions of the CTT legislation are now such that this can no longer be achieved, especially for estates of over 400 ha. As a result, particularly on the larger estates, there has been much fragmentation of ownership amongst members of the family, including cousins, children's spouses and so on. Provided that all the new owners, whether they hold absolutely or as life-tenants, observe the moral agreement made when they were given the land, all will be well and the estate will be preserved intact with reduced tax liability attached to it. However, at law, there is nothing to prevent one of these beneficiaries (even as a tenant for life under a strict settlement) selling his share to a development company who will obtain permission for a housing estate to be built (to take an extreme example). This form of family arrangement is one of the very least adventurous of the schemes being undertaken to preserve the estate unit, but it nevertheless still relies entirely for its success on an unwritten and unenforceable agreement.

It is impossible to see the course which private landownership will take over the remainder of the twentieth century, but it seems virtually certain that, as the legal regime becomes more rigid, so the forms of ownership will become more informal. It is also certain that landowners will never again be able to have things entirely their own way, as they have had in the past. There will always have to be some element of public benefit, and the more so the greater in size and stature the estate. But within such a framework, perhaps some moral trust will develop between landowners and governments which will put an end to the current tragic waste of resources employed in a ceaseless attempt to create arrangements which will by-pass the law and keep an agricultural estate viable and intact.

II.D. Fiscal and financial aspects of landownership and transfers

II.D.(a). Introduction

In legal terms what is owned by both landowner and tenant are interests in land. The extents and terms of those interests and the rights and obligations which they carry determine their different and respective functions. The owner, in return for rent, provides the land and much of the fixed equipment of the holding; the tenant in return for a defined interest in the land provides the working capital of the farming business and the skills necessary to operate it. Both are involved in agriculture as providers of capital, farming knowledge and managerial skill. The owner is concerned with land management the farmer with enterprise management. However, in the UK the taxation treatment of the income derived from the land by these two persons is radically different; the rent received by the landowner is treated as investment income whilst the trading income of the farmer is treated as the income from the exercise of any other trade, profession or vocation would be. Rents are thought of, and in this context referred to, as 'unearned'.

All incomes taxable in the UK are charged progressively on a sliding scale on which the basic rate is currently 30 per cent (with a 25 per cent lower rate charge on the first £750) through a series of higher rates which for 1979-80 start at 40 per cent on taxable income in excess of £10,000 to a top rate of 60 per cent on taxable income in excess of £25,000. Investment income, including rent and dividends, is subject also to a surcharge of 15 per cent where it exceeds a certain amount (currently £5,000). Where, therefore, taxable income in any one year is greater than £25,000 the top rate of income tax on earned income is 60 per cent and on investment income 75 per cent. Although the incomes of the owner and of the tenant which are derived from the same area of land are treated differently, where the ownership interest and the occupational interest are in the hands of the same individual (the owner-farmer) no such distinction is drawn and, the income which he derives from the land and the income which he derives from the business of farming are treated and taxed as one income; that of a trade or profession.

In similar fashion fixed capital (including land) is taxed much more severely in the hands of a landlord than it is in the hands of an owner-occupier. This differential treatment runs directly counter to the relative levels of rents and farming profits.

II.D.(b). The taxation of farm profits and rents in the UK

(i) Farm profits

Incomes derived from a farming business are taxed in the same way as incomes derived from any other business, the rate of tax where the trade is carried on by an individual or partnership depending upon the taxpayer's total taxable income. If the business is carried on by a company then the taxable unit is the company and the tax is corporation tax. The maximum rate of

corporation tax for the financial year 1979 is 52 per cent, but not all companies pay this rate; there is a 'small companies' rate of 42 per cent which is applicable to company incomes which do not exceed £50,000. Where such income exceeds £50,000 but not £85,000 then the rate is calculated by reference to a formula and lies between 42 per cent and 52 per cent.

The profits upon which an individual, partnership or company are taxed are measured by reference to the profits as shown in the accounts of the business for the normal trading year of twelve months, suitably adjusted to eliminate non-revenue or otherwise not-allowable items. In the case of income tax, the Inland Revenue taxes profits for Years of Assessment (6 April - 5 April) and in the case of Corporation Tax for Financial Years (1 April - 31 March). Since accounting years do not necessarily coincide with Years of Assessment or Financial Years, the Revenue uses accounting year profits as the measure of the profits to be subject to tax in a year of assessment or financial year.

In the case of income tax the profit to be taxed in any year of assessment is measured, or assessed, by reference to the adjusted profits shown in the accounts for the accounting year ending in the preceding year of assessment. In the case of Corporation Tax, however, where an accounting year falls across two financial years the adjusted profits of the business will be apportioned on a time basis to the two financial years concerned.

Where a trade is starting, or where it has ceased, there are special rules for the assessment of taxable profits in the first case and for the adjustment of the existing assessments in the second.

The Finance Act 1978 introduced new rules for the measurement of taxable profits from farming and market gardening businesses run as proprietorships or partnerships but not as companies. The rules allow for the averaging of the profits for tax purposes of any two consecutive years of assessment providing that the claimant's profits for either year do not exceed 70 per cent of his profits for the other year, or are nil. Where the claimant's profits for either year exceed 70 per cent but are less than 75 per cent of his profits for the other year then his profits for each year will not simply be averaged but will be adjusted in accordance with a formula.

The averaging provisions were introduced as a result of many years of pressure by the farming lobby which based its argument on the fact that farming profits are often subject to wide fluctuations owing to forces which the farmer cannot control (e.g. the weather) or to which he is unable to react quickly (e.g. the market) owing to the long cycle of his business. Whether to claim averaging or not will often be a matter of precise calculation for it is possible that in certain circumstances (a change in the rates of tax for example) averaging will result in a higher rather than a lower tax bill.

Tax relief is available where losses are incurred in the running of a business (including a farming business) providing

the business is run on a commercial basis with a view to the realisation of profits. The relief varies between that available to an individual or partnership paying income tax and that available to a company paying Corporation Tax. Where the relief is available against income tax the individual may opt for loss relief to be given against future assessed profits from the business (with an indefinite carry forward) or, in effect for two years only, against the total of the taxpayer's income from all sources. Where the relief is available against Corporation Tax the company may choose either, to carry the loss forward to set off against trading income of succeeding accounting periods or, to set the loss off against other profits of the same period or of preceding accounting periods.

However, in the cases both of individuals and of companies the option to set off farming losses against other income or profits is not available where the farming losses have been made for more than five consecutive years (or exceptionally six consecutive years).

Depreciation (or capital allowance) on plant and machinery used for farming or running an estate may be claimed by farmer and by landowner, as with any other business, and now takes the form of what is known as 'free' depreciation. This means that the cost of such plant and machinery may be written off in one year, against assessed farming profits or landed income, or, the amount of write-off may be spread over a number of years at the option of the taxpayer. However, there are provisions for the taxation of profits arising on the disposal of such machinery or plant where the sale price in any one year exceeds the total written down value of all machinery and plant on which capital allowances are being claimed. As mentioned above, these particular allowances are not peculiar to farming or landowning.

In addition to capital allowances on machinery and plant, the owner or tenant of agricultural land may make a claim analogous to but not the same as that applicable to industrial premises. This allowance is given under the provisions of Section 68 of the Capital Allowances Act 1968 as amended by the Finance Act 1978 and may be claimed on capital expenditure on farm houses, farm or forestry buildings, cottages, fences and other works, and is on the net cost (i.e. after receipt of any grants where they are available). Where the expenditure was incurred before 11 April 1978 the allowance is one-tenth of such expenditure each year for ten years. Where the expenditure was incurred after 10 April 1978 the allowance is in two parts, namely an initial (first year) allowance of 20 per cent and an annual writing-down allowance for eight years (including the first year) on the remaining 80 per cent of the expenditure. The taxpayer, be he an individual or a company, may disclaim the initial allowance or require it to be less than 20 per cent if he so wishes, in which case the annual writing-down allowance will be adjusted to take effect over more than eight years (with a maximum of ten years where the initial allowance is entirely disclaimed). Where the expenditure on which an allowance is claimed under these provisions is on a farm-house the allowance will be given on only one-third of it (or on such lesser fraction as may in the circumstances be adjudged just). No balancing

allowances or balancing charges arise where improvements on which this claim has been made are subsequently disposed of but a new owner may continue the claim until the 8-10 year write-down period runs out.

(ii) Farm rents

Rental incomes for tax purposes are computed as being the amount of the rent due for the year of assessment less the expenses incurred by the owner on repairing, managing and insuring the property to keep it in a fit condition to maintain that rent. Where rent is not received it is still taxable unless it can be shown to have been waived to relieve the tenant of undue hardship or, unless the landlord can show that he has taken all reasonable steps to recover it and has failed.

In the hands of the owner, rent from all types of property is treated as investment income and is subject therefore to the investment income surcharge (see above) as well as to the appropriate rate of income tax at the basic or higher rates.

II.D. (c). Capital taxation

The Finance Act 1975 abolished Estate Duty, which was a tax on the value of property passing on death, and introduced in its place Capital Transfer Tax (CTT) which is a tax imposed on the transfer of all assets (other than for full consideration) by an individual during his lifetime and ultimately on his death. It is, therefore, effectively both a gifts tax and an estate or death duty. Each individual is required to notify the capital taxes office when he has made a transfer of assets chargeable to the tax (there are certain transfers which are specifically excluded from liability or specifically exempt from the tax). The amount transferred by a lifetime chargeable transfer is measured by reference to the amount by which the transferor's total estate has diminished in value as a result of the transfer. The amount transferred on death is measured by reference to the open market value of all the assets which the deceased possessed at death.

The tax is charged on the slice or stairway principle, the rate on each slice or step increasing as the cumulative total of chargeable transfers passes through the rate bands; thus at, or within three years of, death, the first (1978) £25,000 of chargeable transfers is taxed at a nil rate, the next £5000 being at 10 per cent, the next £5,000 at 15 per cent, up to 75 per cent on all transfers above £2,000,000. There are, in fact, two rates of tax, namely those imposed on transfers made on death or within three years of death and those imposed on transfers made more than three years before death. Such rates are colloquially known as the lifetime rates and are exactly half the rates imposed on death up to the point where the total of lifetime transfers reaches £110,000, from that point onwards the divergence between the two rates narrows until they become equal where the total of lifetime transfers reaches £310,000.

There are a number of exclusions and exemptions from the tax, two of which are of particular importance; namely that, transfers of assets between spouses are not chargeable and,the

first £2,000 of transfers in any one year are also exempt. The latter exemption is annual and not cumulative except that the unused portion of one year's £2,000 exemption may be carried forward to be used in the immediately following year only.

Agricultural and business property relief

The law of Estate Duty provided for certain concessions in assessing the value of agricultural and industrial property passing on death. As far as agricultural property was concerned, the law was that its agricultural value (as opposed to its possibly greater open market value) was to be reduced by 45 per cent in arriving at the figure upon which duty was to be charged. This valuation concession applied whether the land was let or occupied by the owner.

Similar, but not the same, concessions now apply in the case of transfers of agricultural land and of business property subject to CTT and are as follows:

Agricultural relief

As far as agricultural land is concerned a reduction of 50 per cent in its agricultural value may be claimed where the transferor is effectively a 'full-time working farmer' (see below), but the concession is limited in that it is applicable to not more than 405 ha of agricultural land or to an agricultural value of not more than £250,000 in any one ownership. Whichever of these limits benefits the taxpayer or his estate most (i.e. gives the greatest reduction in value) will be the one applied.

The reduction is claimable only where the transferor has been wholly or mainly engaged for not less than five out of the seven years ending on 5 April immediately preceding the transfer in one or more of four capacities, namely:

(i) as a farmer either alone or in partnership,or
(ii) as an employee in a farming business carried on by somebody else, or
(iii) as a director of a company where farming in the UK is its main activity, or
(iv) as a person undergoing full-time education (not necessarily in farming).

The transferor will be deemed, automatically, to have been engaged wholly or mainly in these capacities if not less than 75 per cent of his aggregate earned income was derived directly from agriculture in the UK in any five of the last seven years of assessment.

Apart from having to qualify by way of his occupation as set out above, the transferor must also show that he occupied the property being transferred for the purposes of agriculture for at least two years immediately before the transfer. This relief applies only to the agricultural value of agricultural property; such property includes the appropriate land, farm buildings, cottages and farmhouses, growing crops and, by

concession, working animals and production livestock; it does not include harvested crops, or machinery and stock other than the above.

Business property relief

On the introduction of CTT no special relief was given to business property, but a valuation relief was introduced by the Finance Act 1976 (extended by the Finance Act 1978) with the particular aim of preserving smaller businesses (usually not public companies) from being broken up by the impact of the tax on transfers. The relief is now available by way of a reduction in the value of 'relevant business property' when it is transferred either during the life time or on the death of the owner.

Relevant business property is defined as,

(i) a business or an interest in a business
(ii) shares or securities of a company (whether quoted or not) which gave the transferor control of the company immediately before the transfer.

In the above two cases the value of the relevant business property is reduced by 50 per cent.

(iii) shares in a company which do not give the transferor control of the company but which are not quoted on a recognised stock exchange.

In this case the reduction in value of the relevant business property is 20 per cent.

(iv) any land, building, machinery or plant which was used immediately before the transfer wholly or mainly for a business carried on by a company of which the transferor had control or by a partnership of which he was then a partner. This sort of property however will only itself qualify as relevant business property if the transferor's interest in the business is itself relevant business property or, if the shares or securities of the company carrying on the business are relevant business property.

The reduction in value applicable to the land, building, machinery or plant qualifying as above as relevant business property is 30 per cent. To qualify at all the relevant business property must have been in the ownership of the transferor for at least two years immediately before the transfer. Whereas agricultural relief is limited in extent there is no limit to the size or value of relevant business property which may enjoy the relief.

It can be seen therefore, that, as far as a farming business is concerned relief may, where applicable, be claimed under the agricultural relief available, within limits, to the full-time working farmer, but also that, business property relief may be available, not only on those assets eligible for the agricultural relief but, on other farming assets which may

qualify as relevant business assets. It is not, of course, possible to claim both reliefs on the same assets but, it is possible to apply business property relief to values and areas beyond the limits for agricultural relief. It is also possible to claim business property relief where agricultural relief may not be available because, although the transferor does not qualify as a full-time working farmer nevertheless the farming business is relevant business property and the transferor has been running it for at least two years.

Finally, it should be noted that agricultural relief must be claimed within two years of the transfer whereas business property relief is automatically available without specific claim.

A study of these two valuation concessions makes it clear that the agricultural landlord (as opposed to the owner-occupier farmer) is not eligible to claim agricultural relief on transferring let agricultural land, neither can he claim business assets relief on such land because it is not relevant business property. However, the peculiarities of the market are such as to reduce the value of agricultural land occupied by a sitting tenant currently to a figure of only a little over half that which it holds if it is available with vacant possession. If, therefore, the agricultural landlord were to be able to claim some valuation concession on the transfer of let land the owner-occupier might justifiably claim a further concession to bring the taxable value of his land down to a figure equal to that then applicable to let land. This is not to maintain in consequence that valuation relief on let agricultural land is not justified but to point out that there are always difficulties in the fair application of taxation concessions. The argument for special treatment of all agricultural land is really based on the capital-intensive nature of agriculture and on the consequent impossibility of funding the tax out of income; a problem which is not nearly so acute in many other industries or businesses.

An example is given below of the widely differing amounts of CTT applicable to the same farming unit in different circumstances. The reasons for this are the divergence between the open market value of agricultural land when offered for sale with vacant possession and when offered for sale subject to tenancy, and, whether or not business assets or agricultural relief are available.

A farmer owns and occupies a farm worth, with vacant possession, £200,000. He has farming stock worth £50,000. He has (for the purposes of this example) no other assets.

1. If, on his death, neither agricultural nor business assets relief is available because he has not owned the farm for long enough, the CTT payable will be £108,750.

2. If business assets or working farmer relief are available the value transferred will be reduced to £125,000 and the CTT due £36,000.

3. If he has been farming in partnership with his son and under the partnership deed the son has the right to continue to farm the land as a tenant on his father's death then, the value of the land on the father's death, will be as tenanted land, say £120,000, agricultural and business assets relief will still be available and the total value transferred will therefore be £85,000 and the CTT due £17,250.

4. If the farmer had shared these assets equally with his wife and she had been a partner with her husband and her son in the farming business and, if both the farmer and his wife had left all to their son, then, the CTT liability on each estate would have been calculated on a value of £42,500 and would have amounted to £5,750.

A further variation in the duty payable can be shown to exist in the differing application of agricultural and business assets relief; the former being more restricted than the latter. As, however, the amount of the relief in most cases is the same (namely a 50 per cent reduction in value) it would appear appropriate that business assets relief should be sought instead of agricultural relief in virtually every case so that the difference arising in the tax due under the two alternatives does not really matter.

Payment of CTT

CTT is due six months after the end of the month in which the chargeable transfer was made, but, in order to keep in with the Income Tax year the tax due on a lifetime transfer made between 6 April and 30 September is not due until the end of April in the following year, so the delay in the due date can be just over twelve months in the longer case and six months in the shortest. Where tax is not paid by the due date simple interest is payable on what is outstanding, the current rate of interest being 6 per cent on tax arising as a result of a death and 9 per cent in other cases. This interest is not eligible for any Income Tax relief.

Where the tax arises on death and is due on land, on a business or on an interest in a business and on certain shares and securities, then, it may be paid by eight yearly or sixteen half yearly instalments. However, no instalments are acceptable in the case of lifetime transfers except where the transferee has agreed to pay the tax and where the tax is due on one of the assets mentioned above. Where tax is paid by instalments, interest will be due when the instalments are due on the whole of the outstanding tax, except where the tax is that due on the value of certain shares, or on a business or an interest in a business, in which case interest is charged only on the amount of each instalment not paid by the due date. However, full interest is payable on the tax due on land which is not a business or an interest in a business. In any event, interest is payable on tax due in excess of £250,000 no matter from what class of asset or assets the tax arises.

Capital Gains Tax (CGT)

A full scale tax on capital gains accruing on the disposal

of assets was introduced by the Finance Act 1965. The charge is on the calculated gain (with no allowance for inflation) which has accrued between 6 April 1965 and the date of disposal. A disposal for CGT purposes takes place whenever an asset changes hands so that a potential tax charge arises on gifts as well as on sales. Where an asset was owned before 6 April 1965 the legislation is so worded as to attempt to charge only that part of the gain accruing since that date. This is achieved in one of two ways, either, by apportioning the total gain between the periods of ownership before April 1965 (not liabile to tax) and after April 1965 (chargeable) or, by taking as a base the value of the asset on 6 April 1965 and ignoring the value of it on the date on which, prior to 6 April 1965, it was acquired. The first method of apportioning the gain to before and after 6 April 1965 is done on the statutory assumption that the gain accrued evenly over the whole period of ownership and further that, for apportionment purposes, ownership commenced on 6 April 1945 if in fact it began before that date.

Every disposal since April 1965 is the occasion for a calculation of the gain (if any) then arising except that, the death of the owner is not deemed to be such an occasion although it was so deemed between 1965 and 1971. Until April 1977 the tax was 30 per cent of the chargeable gain: since that date some relief from this rate has been given where the net gains (total gains less total losses) in any one year do not exceed £9,500. Net gains of £1,000 or less in any one year are not subject to tax.

The occasion of a gift of assets may therefore give rise both to CGT and CTT and this fact may well have inhibited the transference of businesses from one generation to another. The valuation concessions described above in connection with the transference of agricultural land and of business property and the lower rates of CTT on lifetime gifts were designed to counter this. Then, in 1978, payment of CGT due on the gift of business assets or of shares or securities of a trading company which was the transferor's family company, were allowed to be deferred on the joint application of both donor and donee. This legislation provides in effect that where such an application is made the chargeable gain arising on the gift may be moved from the donor to the donee and will become payable only on a subsequent disposal of the assets by the donee. This is done by reducing the recorded value of the asset when given away to such sum as neither gain nor loss arises in the hands of the donor and by recording the value of the asset as received by the donee as being this same reduced value.

A similar sort of deferment of the liability to CGT has always been available when business assets are disposed of and replaced during the life of a business. In effect the chargeable gain then arising is 'rolled-over' on to the new assets bought to replace those disposed of. This 'rolling-over' of the gain may continue as assets are disposed of and adequately replaced throughout the life of a business, only falling to be met either when the assets are finally disposed of and not adequately replaced, or when the business itself is disposed of.

Relief from some CGT is also available on the disposal of a business on retirement. Thus, where an individual aged 60 disposes by sale or gift of a business which he has owned throughout the previous ten years or similarly disposes of shares of a family and trading company of which he has been a full time working director throughout the period of ten years ending with the disposal, then, he will not be charged to CGT as follows:

(1) If he is 65 years old or more, on £50,000 of any gain
(2) If he is less than 65 years old on £10,000 for every year of his age between 60 and 65.

Where ownership of the business or of the shares has been for a period of less than ten years prior to the disposal then the exempt amounts will be proportionately reduced.

II.D. (d). Summary

CGT and CTT both arise on a gift but, as outlined above, valuation concessions, a lower tax rate on lifetime gifts, the deferment of liability to CGT on the gift of a business and some CGT relief available on retirement, lessen the immediate impact of capital taxation on the transference of agricultural (and other) businesses.

The ability to pay the tax by instalments whether interest is due or not, may make it possible in the case of profitable businesses which are not capital intensive to meet most if not all of the tax out of income. It is doubtful if this can often be done where the tax is due on land. It may be possible in the case of the transference of small farms to meet the tax partly out of profits and partly out of borrowings hoping that the latter can be repaid before another transfer intervenes. In the case of the larger farms it is difficult to see how capital taxes can be met other than by sales of land and other business assets.

These facts being so it may be that much thought will be given in the future to spreading the ownership of assets through the medium of company ownership, so that the total amount of tax due is lessened and the occasions upon which the taxes arise are spread over the years. Such a shifting of assets into farming and landowning companies and the wider distribution of shares in them would of course give rise to an initial liability to capital taxes, but this liability might be faced and met in the expectation that, once the operation has been completed, future liabilities will be lessened sufficiently to compensate. In addition to the formation of companies more farming partnerships between erstwhile landowners and tenants will be formed, for these have considerable taxation advantages as compared with the normal landlord-tenant relationship.

However, many people, not only farmers and landowners, are reluctant to take steps such as these which cause considerable personal inconvenience, financial worry and uncertainty. It is indeed probable that, numerous individuals will not take any action to lessen or mitigate the effects of capital taxation

which will arise on their deaths and, in consequence, it can be safely predicted that despite the concessions, capital taxation will cause the break-up of many of the larger farms and estates over the next twenty-five years. Such a process will accelerate if an annual wealth tax is introduced.

Certain aspects of and recommendations regarding the tax treatment of income and capital in agriculture are specifically referred to in the Report of the Committee of Inquiry into the Acquisition of and Occupancy of Agricultural Land (Northfield, 1979). That report also makes reference to the preferential tax treatment afforded the institutions by comparison with private individuals and to tax planning by what might be referred to as 'value manoeuvring' by means of which the agricultural relief may be applied to land valued as subject to a tenancy.

II.D. (e). Costs of financing real estate transfers

The revolution in land tenure in Britain this century is generally thought of as being negatively inspired in the sense that it has tended to take place because landlords have been keen to sell rather than because tenants have been keen to buy. Moreover, it can have derived only relatively little of its initial and middle-term momentum from legislation to improve the flow of funds to would-be borrowers. It is true that Part I of the Agricultural Credits Act of 1923 provided rescue mortgage facilities for over-indebted farmers who had bought land during the profitable years of the Corn Production Act (1917-1921) but, only some £5M were advanced. Then, five years later the Agricultural Credits Act of 1928 set up the Agricultural Mortgage Corporation, which remains the only specialist land mortgage institution in existence and raises its funds through the issue of debentures to the public. However, although it has well over £300 million outstanding to farmers now that is only between one fifth and one sixth of the amount advanced by the banks. For many years it grew only slowly and 20 years ago, after being in business for 30 years, its total advances were only about a tenth of the present sum.

Such slow growth stands in marked contrast to the amount of land being bought and sold since 1928. Thus, the total value of land sold by landlords for owner-occupation between 1920 and 1950 must have exceeded £200 million and between 1950 and 1960 reached almost £300 million, nevertheless, institutional lending to farmers, for all purposes, rose by less than £150 million over that 40 year period. Most of that came from the banks for, in 1960, AMC lending was still only £35.6 million while bank lending to farmers was £325 million. Over that same period lending to farmers from private sources via solicitors declined, so that, a very large proportion of land purchases can have been financed only from business and family savings.

The 1960s witnessed a big change in things (see Table II.D.1). Land prices doubled. AMC lending rose between four and five fold to £153.5 million by 1970 while bank lending increased by a mere 54 per cent to £504 million over the same decade. This much more modest rate of increase brought about a radical transformation in their relative positions which did not alter much

until 1978 and is to be explained mainly because land prices rose much more rapidly than farm incomes in the 1960s, so making the banks, who are essentially short-term lenders, an increasingly less appropriate source of finance for transfers. In the 1970s, although movements have been by no means regular, nevertheless the old ratio of land prices being ten times farm income per unit of land has tended to reestablish itself.

Table II.D.1

Land prices and Net Farm Income per ha and total bank and AMC borrowing, England and Wales since 1960

Year	Average land, price (£ per ha)[1]	Net Farm Income (£ per ha)[2]	AMC loans outstanding at end of March (£M)[3]	Banks loans to agriculture[4] (£M)
1960	190.3	18	35.6	354
1961	229.8	20	40.8	383
1962	247.1	22	47.9	393
1063	279.2	20	50.6	435
1964	294.1	25	57.6	488
1965	397.8	27	64.2	517
1966	420.1	24	71.5	523
1967	427.5	28	87.1	492
1968	447.3	24	103.2	515
1969	499.1	27	128.1	527
1970	496.7	31	153.5	536
1971	481.9	50	170.3	590
1972	514.0	69	178.9	690
1973	939.0	74	205.8	806
1974	1512.3	66	244.2	965
1975	1299.8	106	274.0	1018
1976	1074.9	109	283.9	1111
1977	1287.4	108	311.0	1514
1978	1747.0	116[5]	338.6	1945

Notes and sources:

1 Extracted from MAFF Information notices.

2 NFI incl.BLSA per total area for all farms excl.horticulture over 271 smd. Derived from Farm Incomes in England and Wales (various years).

3 Derived from AMC Annual Reports (various years).

4 Bank loans outstanding to agriculture, forestry and fishing, averaged over the 4 quarters for Great Britain. Years 1975 onwards includes loans in Northern Ireland. Derived from Annual Abstract of Statistics (various years) and Monthly Digest of Statistics (various years).

5 For England only and since the method of calculation has also been changed this figure is not strictly comparable with previous year.

The initial burden of financing purchases of farmland can be brought out in general, though static, terms by examining, year by year, the relationship between NFI and the annual repayment to be made on a 20 year mortgage to buy land at its price that same year. As they are before deduction of tax, the figures set out in Table II.D.2 overstate the amount of income that can be expected in practice to be available for purchasing land, but they also overstate the net of tax burden which mortgages represent and so they serve tolerably well to illustrate the trend in that burden over time.

Table II.D.2

The annual payment required to service a 100 per cent 20 year mortgage at the average price of land for each year in turn 1950-1977 expressed as a percentage of 0.6 of NFI in that same year. By various sizes of farm, England and Wales

Year	Size of farm				
	50 ha & under	50.1 ha-	100.1 ha-	200.1 ha-	Over 300 ha
1977	156	236	334	367	493
1976	126	208	251	279	340
1975	158	265	313	351	555
1974	255	534	513	565	659
	20 ha& under	20.1 ha-	40.1 ha-	60.1 ha-	120.1 ha-	Over 200 ha
1973	215	211	265	251	274	336
1972	77	91	100	131	172	241
1971	92	110	123	166	219	305
1970	150	197	217	286	335	470
1969	167	219	219	342	394	554
1968	144	194	236	308	396	606
1967	119	170	213	236	264	412
1966	120	187	239	270	298	459
1965	110	154	216	239	272	422
1964	79	111	154	168	187	254
1963	86	120	164	179	183	306
1962	88	117	147	162	162	247
1961	87	115	152	169	176	256
1960	76	103	134	157	164	240
1959	66	86	113	138	135	197
1958	60	74	91	113	122	205
1957	53	74	89	103	110	177
1956	56	83	100	108	116	176
1955	55	81	102	115	115	162
1954	72	99	127	133	137	195
1953	59	79	94	105	109	155
1952	72	107	119	141	145	238
1951	65	97	110	120	120	168
1950	68	108	118	133	147	242

Source: Based on Farm Incomes in England and Wales (various years).

Sixty per cent of NFI - a figure which makes some token allowance for tax and living expenses - would have sufficed to service a 20 year mortgage any year between 1950 and 1964 on a farm of 20 ha or less, and most years between 1950 and 1959 on farms of between 20 and 40 ha. However all farm groups of over 40 ha would have required regularly two and three times more than 60 per cent of NFI every year to meet a 100 per cent 20 year mortgage at current prices. By and large, the bigger the farm the less adequate would income have been. Generally, the burden of new mortgages tended to increase relative to income up to 1968-69 and to peak again in 1974.

In spite of such massive and evidently increasing financial problems, nevertheless, the movement to owner-occupier farming has continued. Moreover, although in England and Wales institutional landlordism has increased, six out of seven purchases continue to be made by farmers. Disaster has not struck. In the United Kingdom, the aggregate balance sheet of farming has reflected massive capital gains on land; debts have increased but assets, and especially land, have increased in value even more. In 1963, it is estimated liabilities amounted to £1,190M, assets to £5,200M; by 1974, liabilities had increased to £1,780M, assets to £20,460M. Detailed examination of the financial arrangements of the most rapidly growing, large farms, in a national sample of farms in England in 1969 (Harrison,1975) revealed that, only a small minority had needed to borrow heavily. For the sample as a whole, on average, capital gains were of the same order of magnitude as incomes.

Of the many factors at work, inflation has been dominant. It has compelled all but the very rich to borrow heavily to finance land purchases. Nevertheless high risk financing is not a characteristic of all farmers, all the time but is a transient one relating only to a heavily indebted minority, dominated by relatively recent entrants. In England, 5 per cent of farmers in 1969 accounted for 65 per cent of borrowing and, for them, liabilities regularly exceeded 70 per cent of assets.

It is often argued that, land prices are 'too' high and certainly they have been consistently high relative to incomes, and even to above average levels of income arising from relatively small-scale increases in areas of individual farms so that, incomes at time of purchase have seldom sufficed to service mortgage requirements. Nevertheless, over the last 25 years as a whole, land price increases have not completely outstripped income increases and certainly not in the mid 1970s. Although there have been significant other returns both to owner-occupiers and to landlords, nevertheless, these have probably not increased much in importance over time (the capital tax advantages have been reduced) so that, the major factors must have been income rises and low discount rates both as reflected in social terms - the importance attached to continuity of ownership both of farms and of landed estates - and in monetary ones - low real costs of borrowing.

Just how low the real costs of borrowing have been can be seen from the figures set out in Table II.D.3.

Inflation adds to the financial problems of business proprietors because it results, on the basis of orthodox accounting conventions, in taxable income being higher than it should; first, because stock holding gains are inflated, second, because depreciation charges on historic and also, even on a running, inflation-adjusted basis, are understated, third, because tax thresholds tend to be adjusted belatedly as real incomes fall. Moreover, although accounting practices in different countries have been modified to varying degrees as inflation has continued so that, where inflation has been of long standing indexing is the rule, nevertheless, it is not practised in the UK in spite of the experience of recent decades.

The result is that the balance of advantage has rested squarely with borrowers while lenders have been penalised.

The cushioning effect rising incomes have on debt servicing payments requires time to achieve but, the time required for income to increase substantially (e.g.50 per cent) has tended to become less as the years have progressed. The result is that, in spite of rising land prices and interest charges throughout the 1950s and 1960s which inevitably required heavier repayment schedules, nevertheless, once entered into, heavy and seemingly impossible initial mortgage burdens have become progressively easier to bear as time has gone on.

Table II.D.3

Mortgage interest rates, taxation, inflation and real interest rates 1950-78 (per cent)

Year	Average AMC Mortgage interest rate	Standard rate of Income Tax (SRT)	A Interest rate x 1-S.R.T.	B % change in Retail Price Index	Real Rate of Interest (Col.A-B)
1950	4.0	35	2.6	3.2	-0.6
1951	4.2	37	2.6	9.1	-6.4
1952	5.5	37	3.5	9.1	-5.6
1953	5.6	35	3.6	3.0	0.6
1954	4.7	35	3.0	2.0	1.0
1955	4.9	32	3.3	4.4	-1.1
1956	5.0	32	3.4	4.9	-1.5
1957	6.0	32	4.1	3.7	0.4
1958	6.6	32	4.5	3.1	1.4
1959	5.7	30	4.0	0.5	3.5
1960	6.5	30	4.6	1.1	3.5
1961	6.9	30	4.8	3.4	1.4
1962	7.1	30	5.0	4.3	0.7
1963	6.0	30	4.2	1.9	2.3
1964	6.6	30	4.6	3.2	1.4
1965	7.5	32	5.1	4.8	0.3
1966	8.1	32	5.5	3.9	1.6
1967	8.0	32	5.4	2.5	2.9
1968	8.4	32	5.7	4.7	1.0
1969	9.8	32	6.7	5.4	1.3
1970	9.9	32	6.1	6.4	-0.3
1971	10.1	29	7.0	9.4	-2.4
1972	9.0	29	6.4	7.1	-0.7
1973	10.1	30	7.1	9.2	-2.1
1974	14.7	33	9.8	16.0	-6.2
1975	14.9	35	9.7	24.2	-14.5
1976	14.7	35	9.5	16.6	-7.1
1977	14.4	35	9.4	18.2	-8.8
1978	16.6	30	11.6	8.3	3.3

Sources: AMC Annual Reports and Economic Trends.

However, there is a marked contrast between what happened on farms of less than and those of more than 60 ha and also between developments in the fifties and those in the sixties. Virtually from 1950 and through the 1950s 60 per cent of NFI, on average, provided full mortgage cover for the three groups of farms of less than 60 ha each although the 40-60 ha group experienced difficulties which increased from 1960 onwards. Then from 1961 it began to be a more serious problem for the 20-40 ha farms also, which began to need three to four years before 60 per cent of NFI was enough to meet a 20 year mortgage.

1964 saw all but the smallest farms of 20 ha and under requiring six years to cover their mortgages. Then, from 1969 pressures reduced; the smallest farms covered their mortgages in two years or less and income in 1971 covered all three groups of smaller farms except the 40-60 ha ones. The bigger farms (60 ha and over) faced difficulties from the start but up to and including 1957 the period of income deficiency became progressively shorter. However, from 1958 a period of difficulty was encountered and not until 1971 were large farm incomes big enough to cover earlier mortgages regularly.

From 1965 all farms faced problems but the problem period became progressively shorter as time went on until more recent years when low incomes and high interest rates have posed serious mortgage servicing problems.

Source of funds

Over the years, much of the business conducted with farmers by the banks has been on a relatively informal basis of overdraft accommodation in which repayment terms fall to be negotiated year by year in the light of on the farm and more general financial circumstances. Increasingly, however, the banks have preferred to arrange settled term advances in the form of loans for which repayment arrangements are agreed from the outset. No systematic and comprehensive analysis of such banking operations is possible and it is to the operations of the AMC that we must turn to study the nature of the farmland market and the finance that supports it.

In the year ending 31st March 1973 nationally, 5,500 sales of land involving almost 202,500 ha (2 per cent or thereabouts of the total stock) were transacted. Of that total the Corporation financed about 22 per cent - almost 40,500 ha. The latest figures available (for the year ending 31st March 1978) show that the Corporation helped to finance just over 49,612 ha out of a similar national total and, in that year, extended just over £46 M to borrowers.

Over recent years the breakdown of AMC lending has varied relatively little year by year in terms of the sorts of transactions involved. This is brought out in the following table.

The area charged to the Corporation by the 60.7-121.5 ha size group has been consistently higher relative to all sales for that size group than it has for other size groups so that it looks as if the Corporation tends to concentrate on such

Table II.D.4

AMC lending by groups of borrowers in recent years
Per cent of advances

	1976-7	1977-8
To buy additional land	42%	39%
To move to new farm	6%	7%
Farmers' sons etc. setting up	1%	1%
To sitting tenants	20%	16%
Newcomers to farming	2%	2%
Repayment of existing loans, Capital improvements and working capital	29%	35%

Source: AMC private communication.

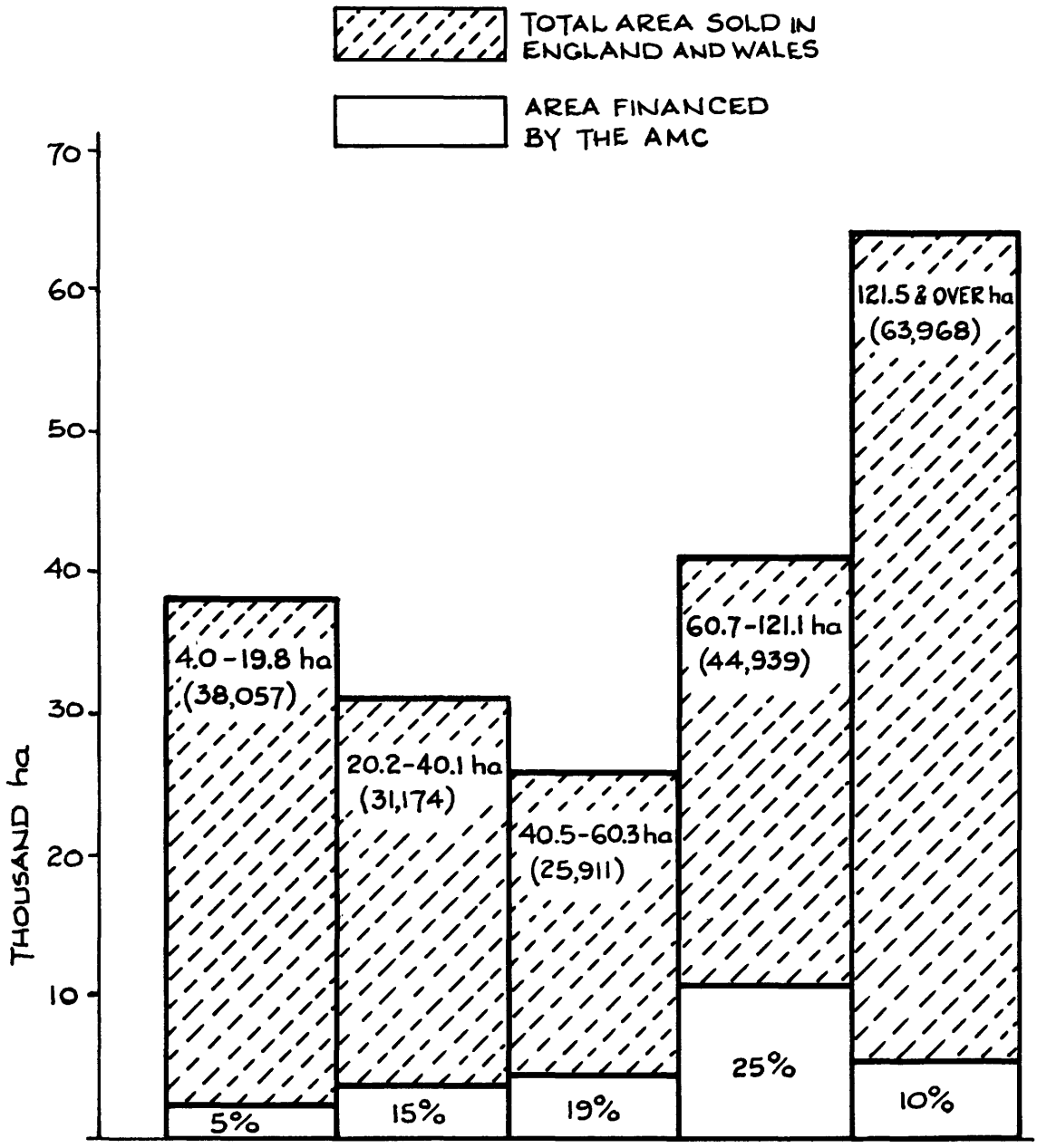
'working farmer' transactions. (See Figure II.D.5 for estimates of the Corporation's share of the market by size of farm groups in 1977-8). However, the area of the farming enterprise may be much greater than the area charged to the Corporation and, there are cases where the land charged is not the land bought with the money provided.

Details of AMC loans in the year ending March 1978 are set out in Table II.D.6. Fully one-third were secondary and additional loans made without further security having to be lodged - additional evidence of the credit enhancing effect of rising land prices. In recent years, neither the scales on which loan applications have been rejected nor the grounds for doing so have changed much. For example, in the year ended 31 March 1970, 14 per cent of all applications by number were rejected and this represented 11 per cent of applications by amount of money. Eight years later, in the year ending 31 March 1978, the rejection rate was $13\frac{1}{2}$ per cent by number and 11 per cent by amount of money. There has been a slight movement towards rejecting applications on the grounds that the applicant will not be able to service the borrowing. Moreover, three quarters of applicants seek to borrow less than the two-thirds of the property's value which the Corporation is permitted to lend. It might have been surprising if this had not been the case. In 1970 the Corporation's fixed lending rate averaged 10 per cent and the average vacant possession price of land was £605 a ha; in 1978 the corresponding figures were $13\frac{1}{4}$ per cent and £3078 a ha. Applicants to the AMC are weighted slightly more towards full-time farming than national figures of the extent of part-time farming would suggest, since 75 per cent of applicants have no income other than that from farming.

For many years the AMC advanced loans only on a fixed interest charge basis to be repaid on a constant annual, fully amortised, basis. More recently a number of innovations have been introduced and it is now possible to contract on a fixed or variable interest basis, and to repay on an annuity, equal capital or straight 50 per cent option basis. In certain cases also, borrowing can be on a straight loan basis for a five to ten year period. Full details of the types of business

Figure II.D.5

Land sales financed by the AMC, by size of parcel group, England and Wales, 1977-78



Source: AMC private communication.

Table II.D.6

AMC loans completed with and without additional security in the year ending 31 March 1978

	New Loans			Further loans with additional security		
Ha	No	Amount £	Ha	No	Amount £	Ha
0.5-	14	248,665	35.6	13	249,016	42.1
6.1-	15	163,850	148.6	10	286,466	85.0
12.1-	51	740,314	853.0	19	599,875	293.5
20.2-	185	4,069,350	5,660.0	28	1,120,825	783.8
40.5-	130	3,840,571	6,388.3	21	1,295,825	1,001.2
60.7-	185	8,617,280	15,406.5	20	1,578,835	1,669.6
121.5-	52	4,431,799	7,891.9	1	325,000	127.5
202.4-	15	1,393,848	3,536.8	1	164,475	263.2
283.4-	7	703,360	2,559.5	1	26,390	284.2
404.9 & over	3	490,000	2,632.4	-	-	-
	657	24,699,037	45,112.6	114	5,646,707	4,513.8
Further and secondary loans made without additional security				616	15,897,975	-
				730	21,544,682	4,513.8

All Loans

Ha	No	Amount £	Ha
0.5-	27	497,681	77.7
6.1-	25	450,316	233.6
12.1-	70	1,340,189	1,146.6
20.2-	213	5,190,175	6,443.7
40.5-	151	5,136,396	7,389.5
60.7-	205	10,196,115	17,076.1
121.5-	53	4,756,799	8,019.4
202.4-	16	1,558,323	3,763.6
283.4-	8	729,750	2,843.7
404.9 & over	3	490,000	2,632.4
	771	30,345,744	49,626.3
Further and secondary loans made without additional security	616	15,897,975	-
	1,387	46,243,719	49,626.3

Source: AMC private communication

transacted in 1977-8 are set out in Table II.D.7. Variable interest loans are now almost 50 per cent higher in terms of value than fixed interest ones, chiefly because, individually, they tend to involve bigger amounts of money. In the cases both of fixed and of variable interest rate borrowing, arrangements for repayment consist almost exclusively of, and are almost equally shared between, annuity and endowment types of business. In the case of both variable and fixed interest rate loans, long-term ones are predominant with relatively little lending transacted on a straight five to ten year basis.

II.E. Owner-occupation and its problems

The socio-economic developments in the UK which are giving rise to many of the more serious problems which owner-occupier farmers are facing today are both long standing and readily identifiable. To a great extent they stem from the growth in population and from increasing wealth for, it is essentially these two factors which lie behind the dramatic increases in land values in real terms which in turn reflect, in part at least, the growing competition for land for non-farming pursuits, including leisure and recreational activities. However, it is not simply that these developments have come to represent problems because of their very scale, as it were, by crossing well established thresholds of tolerance, but those thresholds are now narrower as society has radically altered the nature of its concern about the problems involved.

This is particularly true about use of the countryside's flora, fauna and historical treasures. On the one hand, more and more people are seeking access to them, subjecting them to increased wear and tear and, inevitably and sadly often destroying that very element of rural peace they are seeking there; on the other, society is showing an altogether keener sense of appreciation of the vulnerability of its heritage and concern over its conservation. As holders of the great reservoir of land resources on which society can draw for leisure and recreational pursuits, as well as for all the other and usually irreversible industrial and developmental uses of farmland that are sought, farmers are bound to have to face more and more pressure from the rest of the community in the future. Moreover, should transport cost continue to rise, more of this pressure can be expected to be felt on farms nearer urban centres and within the higher quality, traditional farming regions, so adding to the pressures felt already by farmers in the urban fringe. The search for energy sources both fossilised and biologically created will add to existing demands.

It can be argued that in the past farming's political lobbying machinery, mainly though by no means exclusively through the NFU, has been very successful and has won concessions for farmers from the rest of society which will not be attainable in the future. This is not to argue that farmers themselves are not concerned about conservation issues but hitherto the conservation lobby has been very much a minority element, and not a particularly vocal one. That is no longer true however and farmers must expect to have to give ground especially regarding intensive (factory-type) farming systems where pollution and animal welfare issues are so crucial. Running counter to

Table II.D.7

Loans granted by the AMC in the year ended 31 March, 1978 by type

	Fixed Interest Loans				Variable Interest Loans			
Loan type	£000s	(%)	No	(%)	£000s	(%)	No	(%)
Annuity	8,521	(45)	297	(47)	11,803	(43)	350	(46)
Endowment	8,960	(47)	270	(43)	11,356	(42)	307	(40)
Equal Capital	286	(2)	5	(1)	597	(2)	13	(2)
50% Straight Option	615	(3)	27	(4)	1,971	(7)	49	(7)
Total Long Term Loans	18,382	(97)	599	(95)	25,727	(94)	719	(95)
Straight 5-10 year	578	(3)	28	(5)	1,557	(6)	41	(5)
Totals:	18,960	(100)	627	(100)	27,284	(100)	760	(100)
% of Total Loans	41%		45%		59%		55%	

	Total Loans			
Loan Type	£000s	(%)	No	(%)
Annuity	20,324	(44)	647	(47)
Endowment	20,316	(44)	577	(42)
Equal Capital	883	(2)	18	(1)
50% Straight Option	2,586	(5)	76	(5)
Total Long Term Loans	44,109	(95)	1,318	(95)
Straight 5 - 10 year	2,135	(5)	69	(5)
Totals:	46,244	(100)	1,387*	(100)
% of Total Loans	100%		100%	

* In 30 per cent of these transactions the borrower elected to take up a mix of loans/interest rates.

Source: AMC private communication

these developments and to be expected therefore to reduce farmers' problems is the recognition that there should be more careful conservation of farmland as such and the demand that more weight should be given to agricultural issues in land use planning at all levels.

As a result of society's increased demand for land, especially in a context of inflation, there has been a continuing rise in its price, associated with a steady fall in the amount coming on to the market; this has added enormously to the problems of obtaining, making proper use of, and retaining farmland for succeeding generations.

A great deal of the tenfold rise in land values between the mid 1950s and 1970s was purely inflationary as also were rises in farming incomes to which they maintained a direct but variable relationship. Nevertheless, when measured against changes in the retail price index they doubled in real terms. It is regularly argued that prices are too high but this is seldom precisely defined in terms of how much and for whom. Moreover it can be argued on economic grounds that prices are too low since they have not served to bring more land on to the market but less. The amount of land bought and sold in the post war period has declined steadily - and this is true of all countries in the UK. Holders of land (owner-occupiers and landlords) have been content to hold land rather than sell in order to hold cash or re-invest in other assets.

Although rising land prices have not moved completely out of line with rising farm incomes they have remained at a very high multiple of income per unit of land in NFI terms and an even greater one probably if income were taken after tax, living expenses, off farm spending, investment in additional capital assets and interest costs in excess of the standard rental deduction made in calculating NFI. The upshot is that, it is virtually impossible to finance the purchase of land without incurring apparently impossibly heavy levels of indebtedness, even when access can be gained to outside equity funding.

Yet, a high proportion of land transfers are the result of farmer to farmer sales and, as time has gone on, farmers have become less indebted not more so. What has happened is that, although farming is still a traditionally low borrowing high owner finance sector, it now has a heavily indebted minority. That group of heavy borrowers has existed for some time but, its members have come and gone, slowly moving out as their assets have grown in value and as their mortgage servicing commitments have been reduced by rising incomes - even if only in nominal terms - while heavily indebted new purchasers have moved in year by year to take their places.

Changes in the economy have increased the numbers of people wanting to own land. These include the financial institutions which now find rents and appreciating land together provide a good return in comparison with their traditional investments in property and equities, as well as relatively prosperous urban dwellers who want to go part-time farming. The result of this enhanced demand is that, hitherto the favoured would-be owner-occupier coming from a traditional, farming family background is bound to face increasing problems of obtaining land, not decreasing ones, in the future. Moreover, in so far as income support (pricing) policies are framed with the alleviation of this particular difficulty in mind they will (like all other income enhancing developments which become

capitalised into land values) add to the problem not reduce it. Policies aimed directly at reducing the demand for land have not been pursued to any significant degree in the UK.

The second set of problems arising from rising land values concerns on-the-farm difficulties of adjusting land to other capital inputs. It receives a good deal less publicity than land purchase and transfer problems but it is by no means less serious on that account. As the amount of land coming on to the market has fallen so the amount exchanged between farmer and farmer in order to adjust land to working capital ratios must have fallen; there is now less rented land in total hence the part played by landlords in arranging such adjustments as part of their overall estate management policies has fallen, so leaving more to be done through purchase and sale.

No quantitative appraisal has been made of this sort of resource misallocation but it has been argued by Harrison (1975) from the examination of farmers' investment plans that, the amount of investment by farmers in fixed capital in anticipation of land becoming available is well in excess of what in fact becomes available. It would certainly appear that, the overall market in land is so restricted and so variable with respect to any particular area that, the process of land to other input balancing at the margin can not be capable of fine adjustment. In most cases it must be lumpy and probably not much better anticipated by those who do get the chance to buy than by those of the remainder who are mistaken in expecting they will be able to do so.

One development, stemming from rising land prices, which runs counter to these sorts of considerations is the possible realising of land values in some way or other in order to 'release' capital gains for use as working capital. Selling and leasing back land is one way which has been employed, sometimes as a rescue operation but sometimes also in a systematic, growth seeking, way by farmers who believe the scope for generating profits from employing more working capital is better than the profits plus capital gains to be expected from their existing owner-occupier, farm businesses. Proposals have been made from time to time that an AMC or government backed scheme should be operated allowing the 'release' of capital gains in exchange for some form of private or institutional equity participation. On balance however it is by no means clear that farmers in general are keen to trade-off the chance of capital gains from land for the return from working capital.

The third set of problems concerns how to effect inter-generation land transfers within a family farm business. The big difficulty here is that, society is increasingly less ready to tolerate inequalities stemming from inherited wealth although it has made significant concessions to the proprietors of small businesses even where, as in farming, capital gains have placed their proprietors amongst the wealthiest members of society. An annual wealth tax may further penalise the most wealthy. Moreover, these problems have not been alleviated in any way by the reduction in family loyalties and ties over recent decades which have resulted either in more and more family members being

'locked in' as unwilling investors, or, the farmer member of the family having to borrow (usually at high interest) in order to pay them their shares.

Much of the effort to escape society's ever more tightly drawn capital taxation net has been made by landlords (who are in addition important owner-occupiers as a result of the let-land they have taken in hand over the years) but, it can also serve the interests of larger owner-occupiers provided they obtain the appropriate advice. The current body of legislation relating to capital taxation, especially as it relates to the ownership of land, is complex in the extreme and has resulted over the years in a corresponding impressive body of countering devices. It is an altogether wasteful use of society's scarce resources and we are again in the middle of a period of intensive activity as discretionary trusts are being dismantled in the face of CTT. It is probably no exaggeration to claim that, when legislation reaches its current degree of complexity it is likely to be regressive rather than progressive as the wealthy, and generally more fortunate and better endowed and connected, are more likely to be able to afford the advice that is required to deal with such legal complexities.

All these problems are increased to the extent that pretax profits are higher than they ought to be with inflation (because depreciation charges are too little and costs of maintaining stock are not properly charged for). On the other hand borrowers gain from inflation at the expense of lenders. Such tax accounting problems affect tenants but they also have additional problems of their own discussed in section III.D. Moreover, tenants and owner-occupiers alike face difficulties over choice of business form. The great majority of farms are run as proprietorships and, increasingly, and partly as a result of the introduction of CTT, as partnerships. With rising incomes but belatedly adjusted tax thresholds the good commercial sense of company formation becomes evident and will become more so should economies of scale increase. The decision is not an easy one to make, however, not only because of its longer-term capital taxation implications but also because the relative tax liabilities of proprietorships, partnerships and companies vary from budget to budget.

III. TENANCY

III.A. Tenancy arrangements - forms, extents and flows

III.A.(a). The mobility of tenants and of rented land

The quantity of tenanted farmland in the UK has declined dramatically this century (see Table III.A.1). The landlord-tenant system, once so characteristic of British farming and in 1908 accounting for 88 per cent of the land and 85 per cent of holdings of Great Britain, has been reduced to a point where, in official statistics, it accounts for less than half the area (46 per cent in England and Wales in 1975, and 41 per cent in Scotland) (MAFF, 1977). Virtually all the land in Northern Ireland is owner-occupied as a consequence of the Irish Land Acts which effectively transferred ownership of all tenanted land from the landowners to the tenants. In England and Wales the post-war decline in the proportion of tenanted farmland was marked between 1950 and 1960, reaching 50.9 per cent in the latter year, but the fall over the 1960s and 1970s has been slower.

The reduction in the area of rented land over the last two decades has come both from land being taken into owner-occupation and by loss to non-agricultural use. In the period 1960-9 (1969 marked the beginning of the collection of annual data on tenure) the tenanted area in England and Wales fell by nearly 0.7M ha while that held by owner-occupiers rose by over 0.3M ha. This transfer was effected either through purchases by sitting tenants, or, as a result of landed estates taking land 'in hand' when it became available through the retirement of tenants or, selling it with vacant possession, mainly to farmers expanding the area of their farms. The difference of about 0.4M ha is accounted for partly by the transfer of some 0.2M ha to non-agricultural uses and partly by changes in the way the data were collected. Between 1969 and 1975 the total areas rented and owner-occupied did not vary greatly, but since 1975 the swing to owner-occupation, as revealed by official statistics, appears to have gathered momentum again. However, many recent changes seem to be the result of adjustments in response to the reliefs from capital taxation offered to working farmers by the 1975 Finance Act, adjustments which do not necessarily involve *de facto* changes in the nature of the farmers or their tenurial status.

Although the proportion of rented land has remained around 41 to 42 per cent in Scotland over the period 1960-75, there have been absolute reductions in the areas both of rented and of owner-occupied farmland. Once more however, changes in census procedures provide at least part of the explanation.

Summarising, although net transfers of land from the rented to the owner-occupied sectors are an important feature of the land occupancy picture in Great Britain up to the end of the 1960s, this was occurring at a declining rate and has apparently reached a point where little change in tenure is now taking place. There are grounds, however, described below, for treating these official tenure figures with some caution.

Family renting arrangements

The Introduction (Section I.B) showed that the pattern of land tenure is far more complex than can be described within the present framework of official statistics. In particular, arrangements where tenant and landlord are members of one family, where frequently joint-tenant and landlord are the same person, can appear in official statistics in such a way that a totally misleading picture of the real ownership and occupation of farmland can result. At the top end of the farm-size spectrum official statistics have been described as a fiction (Rose *et al*, 1977). Harrison (1975) discovered intra-family tenancy arrangements on some 6,826 farms (4 per cent) in England in 1969, although this figure should perhaps be regarded as a minimum rather than a complete assessment of the extent of pseudo-tenancies and disguised owner-occupation. It is suspected that a high proportion of the 31.2 per cent of all farms that in 1969 were either partnerships or private companies contained elements of either pseudo-tenancies, that is 'tenant' and 'landlord' were both farming partners, or implied subletting as, for example, where a farming partnership used land held on tenancy not by the partnership but by a single partner, frequently the father in a father-and-son partnership. In Scotland the DAFS census currently records about 8 per cent of all land as in tenancies which are not 'at arm's length' that is on a strictly commercial basis.

Table III.A.1a

Distribution of agricultural land by tenure
England and Wales, selected years

	Area rented		Area owned		Total	
	'000ha	%	'000 ha	%	'000 ha	
1887	9426	84	1707	15	11250	)
1891	9635	85	1697	15	11332	)
1908	9718	88	1349	12	11068	)
1914	9774	89	1199	11	10923	) Crops and grass
1919	9493	88	1334	12	10825	)
1920	9067	85	1660	15	10727	)
1921	8463	80	2117	20	10580	)
1922	8655	82	1878	18	10533	)
1950	7124	62	4375	38	11499	Crops and grass and rough grazing
1960	5845	51	5637	49	11482	Total area
1969	5146	46	5943	54	11089	)
1970	5189	47	5872	53	11061	)
1971	5140	46	5917	54	11056	)
1972	5040	46	5979	54	11020	)
1973	5076	46	5907	54	10982	)
1974	5079	46	5958	54	11037	) Total area
1975	5103	46	5907	54	11010	)
1976	4979	45	6033	55	11012	)
1977	4860	44	6108	56	10968	)
1978	4750	43	6221	57	10972	)

Sources: MAFF, 1968, MAFF, 1977b & MAFF Agricultural Statistics (various years).

Table III.A.1b

Distribution of agricultural land by tenure
UK[1] 1970-1979

	Rented '000 ha	%	Owned '000 ha	%	Total[2] '000 ha
1970	7668	43	10331	57	17999
1971	7656	43	10331	57	17987
1972	7513	42	10399	58	17912
1973	7503	42	10361	58	17864
1974	7503	42	10380	58	17883
1975	7484	42	10368	58	17852
1976	7452	42	10408	58	17861
1977	7199	41	10432	59	17631
1978	7094	40	10546	60	17640
1979 (provisional)	7022	40	10570	60	17592

1 All land in N. Ireland treated as owner-occupied.
2 Includes rough grazing, woodland, agricultural buildings and other land on agricultural holdings. Excludes common grazings. Some small changes of definition have occurred during this series.

Source: MAFF Agricultural Statistics (various years).

The existence of legal and taxation complications sometimes results in apparent movements of land between tenures, without any real changes necessarily taking place in the roles of the persons exercising control. This is well illustrated by the dramatic rise in the number of mixed-tenure holdings which occurred between the 1974 and 1975 June census in England and Wales, shown in Table III.A.2. CTT was introduced in March 1974 and became fully effective from March 1975, replacing Estate Duty as the main tax on property passing at death and providing fewer opportunities for avoidance. Over the period 1970 to 1974 the proportion of land recorded in census returns as being part of wholly owner-occupied holdings was broadly stable at about 35 per cent, while a small increase was observed in the proportion of rented holdings. However, the 1975 census recorded a fall of 445,000 ha in wholly rented holdings and of 324,000 ha in wholly owned holdings. Correspondingly there was a sharp rise of seven percentage points in mixed-tenure holdings when 10,000 'new' ones appeared, occupying 769,000 ha. As there were probably only about 6,000 opportunities for strictly commercial transactions to create new mixed-tenure holdings (both through purchase and renting) a substantial proportion, maybe the majority, must have been the result of rearrangements of legal ownership within farming families to reduce liability to CTT.

While the rearrangements of legal ownership which took place in 1974-75 involved changing the status of many individual land parcels, the moves by some owner-occupiers to make part of their farms legally tenanted and for rented farms to become in part owner-occupied so that their owners could enjoy concessions

extended only to working farmers had a surprisingly small net effect on the proportion of land held in each tenure (see Part b of Table III.A.2).

It seems clear from the above discussion that the mobility of 'real' tenants to become owner-occupiers and the associated mobility of de facto rented land to owner-occupation and reverse movements cannot be appraised with any accuracy from official statistics on tenure.

Evidence on real mobility of land between tenants

There are no precise estimates of the number of holdings vacated annually or coming available for reletting each year. MAFF estimates for 1976 (Private Correspondence) put the number of wholly rented holdings in England and Wales vacated in 1974-5, judged on normal trends, at probably about 10 per cent of the June 1974 total of 61,000 holdings, (i.e. about 6,000 per year). In contrast, the number of holdings sold, excluding gifts, bequests and those under 4 ha, was about 4,600 in the year to June, 1975. Another estimate, contained in the Northfield Report (1979) puts the total number of holdings of all tenures annually falling vacant at some 5000-6000.

On an area basis Harrison (1975) found that, in the late 1960s in England, roughly five rented ha were released to go towards increasing the size of the average farm for every four owned ha available through the market for that purpose. Alternatively, averaging the estimated numbers of rented ha which farms were found to be releasing with those which other farms were adding and raising the results to the national level to form some impression of the magnitude of rented land which was changing hands shows that, between 1965 and 1970, some 348,000 rented ha were moving annually between occupiers; this corresponds to 8 per cent of the total rented area in England.

Hine & Houston (1973), working with samples of farms in Devon and the English Midlands during the 1960s, found that the annual turnover of farms of all tenures together in both areas was close to 5 per cent, being somewhat higher among small farms and declining with increasing area, (see Figure III.A.3). There were, in addition, a substantial number of partial changes of occupier, that is the formation or break-up of partnerships and companies where at least one of the occupiers was present before and after the change. In Nottinghamshire and Leicestershire together such partial changes were only a little less frequent than complete ones. Although little is known about the number of holdings or area of rented land falling vacant annually, a somewhat finer estimate can be made of the holdings which are newly let each year. Data from the MAFF and DAFS Rent Enquiries lead to the conclusion that new tenancies form only a small proportion of the total number of rented holdings; over the 1970s the annual figure has averaged just over 2 per cent for England and Wales and less than 1 per cent for Scotland. Although the percentage of new lettings has fluctuated from year to year in England and Wales, the trend seems to be a downward one from the 3 per cent of the early 1960s. In Scotland the small numbers make any trend difficult to detect, but the

(12)

Table III.A.2

a. Percentage of total agricultural land by tenure of holding England and Wales 1970-7

Tenure of Holding	1970	1971	1972	1973	1974	1975	1976	1977
Wholly owned	34.6	34.8	35.7	34.6	34.9	32.0	32.9	33.7
Wholly rented	32.6	32.1	30.2	31.2	31.2	27.2	27.0	26.6
Mixed	32.8	33.1	34.1	34.2	33.9	40.8	40.1	39.7
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

b. Percentage of total agricultural land in each tenure

Owned	n.a	53.5	54.3	53.8	54.0	53.7	54.8	55.7
Rented	n.a	46.5	45.7	46.2	46.0	46.3	45.2	44.3
		100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Agricultural Statistics (Various years)

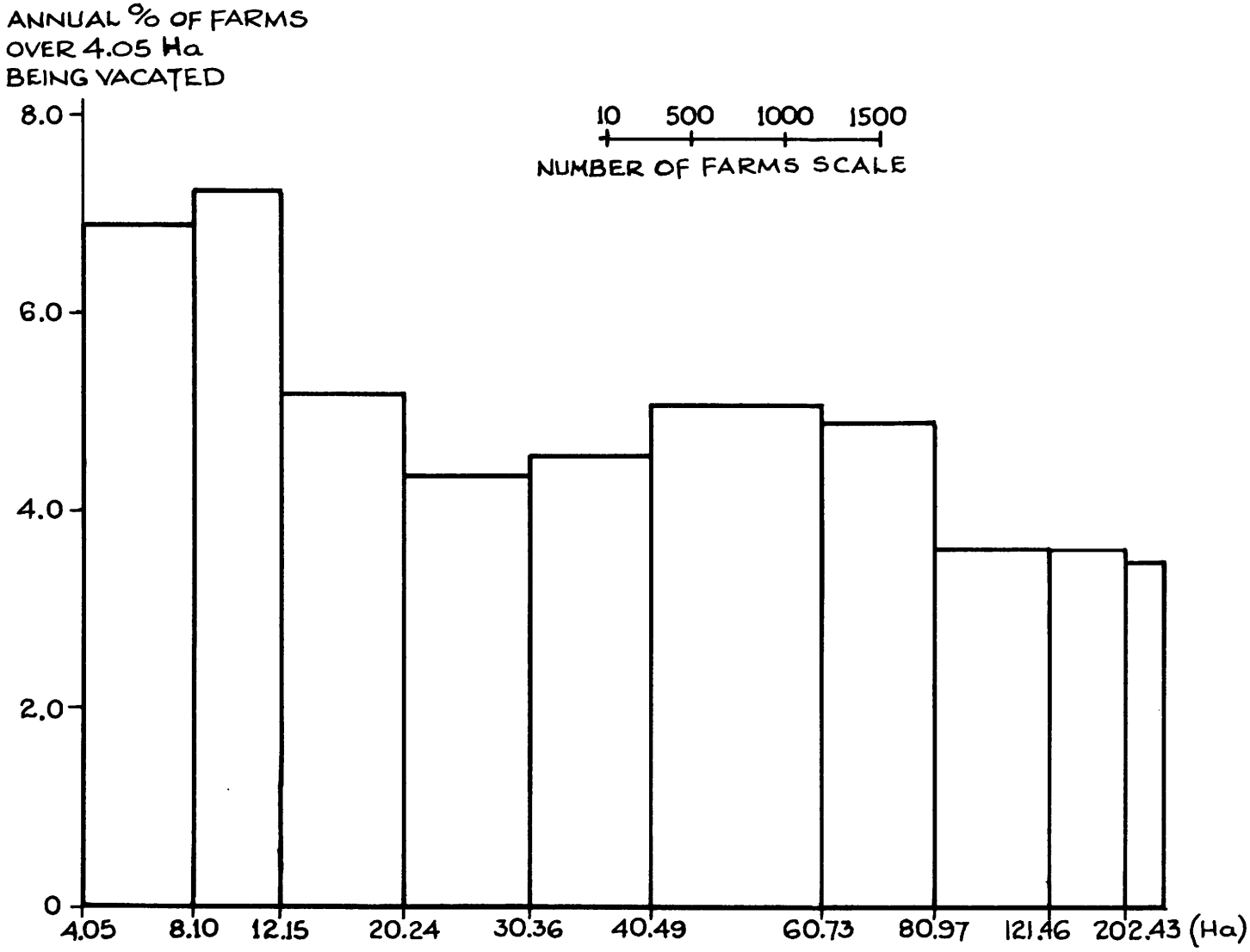
figure has been generally below 1 per cent since at least the mid-1960s. The introduction of legislation to permit succession to tenancies by near relatives in England and Wales (Agriculture (Miscellaneous Provision) Act 1976) is too recent for its impact on reletting to be assessed, although it is interesting to note that the restoration of succession provisions in Scotland in 1968 after a ten-year break did not noticeably affect the trend there.

A reletting percentage lower than the vacating percentage does not necessarily imply a conflict of evidence, as many holdings are withdrawn from the tenanted sector by their owners. Evidence given to the Northfield Committee (1979) by the Central Association of Agricultural Valuers (CAAV) suggests that, for the year 1977-78, while 24.5 per cent of land which fell vacant was relet, 75.5 per cent was withdrawn from tenancy and either taken in hand by the landlord, farmed in partnership or sold. In absolute terms Northfield concluded that the numbers of holdings which are annually relet to tenants must be imprecise but that 'at least 1,000 holdings continue to be relet each year on full agricultural tenancies in Great Britain'. Within this total the only firm figure is for Local Authority Smallholdings, of which there are some 150 lettings to new entrants each year, excluding tenancies granted to existing smallholders moving from one farm to another. As recently as 1970-1 such new lettings were in excess of 200.

According to the CAAV evidence, established farmers played a dominant role in the market for new tenancies. This is similar to what was encountered in the market for owner-occupied land (see Section II.A); occupiers expanding their farms or moving to a new one accounted for 47 per cent of new lettings while new entrants to farming took up the remaining 36 per cent. Grossed up to a national level for England and Wales, it

Figure III.A.3

Annual percentage of farms over 4.05 ha being vacated: Nottinghamshire and Leicestershire, 1963-4 - 1968-9



Source: Based on Hine & Houston, 1973

appears that at present some 500 of the 1350 lettings are made to new entrants to farming each year, to which must be added the 150 or so new lettings made on statutory smallholdings. A slightly greater number would result if Scotland were included.

Mobility of tenant farmers

Among the reasons for complete farms becoming available for re-letting between 1959-69, Hine & Houston found that complete or partial retirement of the occupier was to be dominant (see Table II.A.4),and that it was higher among tenants than owner-occupiers. In both areas changing farm was of much less importance for tenants than for owner-occupiers, from which Hine and Houston suggested that, as a group, tenants were possibly less geographically mobile between farms. However, the smallness of the sample must be borne in mind before applying these findings widely; again the caveat must be added that farms which were not re-occupied or amalgamated in their entirety, for example, by division between several occupiers or,put to non-agricultural use, were not covered.

In Scotland in 1972-3, only about 6 per cent of outgoing farmers (of all tenures) moved into non-agricultural employment, a figure related to occupational mobility, while a further 12 per cent of outgoers remained in agriculture either by moving farm or by becoming hired workers, a reflection of geographical mobility combined, in the latter instance, with a move away from entrepreneurship (Rettie,1978). These figures are of a similar order to those of Hine & Houston and underline the low occupational mobility of farmers, especially when it is recalled that they are percentages which relate to the mere 5 per cent or so of holdings which change hands each year.

In terms of the inflow of occupiers, Hine & Houston (1973) found that in Nottinghamshire in the 1960s new entrant tenants were closely confined to the very small farms unless they took over from a relative. Apart from this, very little is known about new entrant tenants specifically. Rettie found that about one in four of Scotland's new farm occupiers (of all tenures) had not been previously engaged in agriculture. Harrison (1975) showed that, for England in 1969 only 16 per cent of farmers had social origins outside farming but Hine & Houston (1973) found that over the 1960s in Nottinghamshire and Devonshire about one third of all new farm occupiers came from outside agriculture. The Northfield Committee estimates that, currently, successors who can reasonably be expected to take over tenancies under present legislation are available on about half the rented farms although the 1978 MAFF Rent Enquiry found that only 17 per cent of the 505 new lettings were granted to previous tenants' successors under the 1976 Act. Entry to farming by tenants from outside the industry seems severely constrained by the apparent increasing scarcity of tenancies of smaller farms; the attitude of County Councils towards the retention of the smallholdings they own and the size structure of the farms on their estates is of obvious importance here. In terms of land mobility between farmers, the policies of farm amalgamations by landlords and the letting of land to form mixed-tenure holdings are of importance to structural adjustment but remain largely

Table III.A.4

Reasons for farms becoming available for re-letting:Devon and Nottinghamshire 1959-1969

Reason	Devon	Notts
	%	
Death of occupier	16	21
Retirement of occupier (age/ill-health)	39	45
Part-retirement of occupier	6	10
Occupier changing farms	10	8
Occupier taking non-farm job	6	4
Other	23	12
	100.0	100.0
Number of observations	31	51

Source: Hine & Houston, 1973

unquantified. In marked contrast is the rapid growth of a few large farming companies, in part using tenancy as a means of acquiring occupation, but they are not typical tenants and probably do not have typical landlords.

III.A.(b). Capital equipment employed on tenanted farms and their current rates of investment

In the section on the capital equipment used by owner-occupiers it was pointed out that in recent years tenants have apparently been the heavier investors in machinery, whereas owner-occupiers have spent more heavily on buildings and works. This is reflected in higher machinery valuations on tenanted farms, although the highest levels are found on mixed-tenure farms. In contrast, except on farms of over 202 ha, stocks of buildings are lower on tenanted than on owner-occupied farms; moreover, this difference is particularly marked for buildings erected since 1957 and on farms below 121 ha. Compared with larger tenanted farms, those of 8 - 60 ha in 1973 possessed somewhat larger stocks of recent buildings per ha than those above 121 ha, although the 61-121 ha group was less well equipped. Although smaller tenanted farms have both fewer and older buildings than do owner-occupied, it is by no means certain that this seriously constrains their farming.

Investment in buildings and works on tenanted farms embraces both the activities of landlords and of tenants, although one must again be aware of de jure tenancies being disguised owner-occupations. Harrison (1975) found that, in England between 1966 and 1970, owner-occupiers met about one half of the costs of buildings and works, the Government a quarter in the form of grant aid, while landlords and tenants shared the remaining

quarter in roughly equal proportions. The ratio of two to one for owner-occupier to landlord-plus-tenant expenditure implies, of course, a higher rate of investment per ha on owner-occupied farms as the numbers of owned to rented hectares were approximately equal. In Scotland the picture is much the same. A survey in 1964 (Bonthron,1969) found that owner-occupied farms accounted for 64 per cent of total expenditure on buildings and other fixed equipment, and tenanted farms accounted for most of the remainder. (Government assistance was not considered separately). At that time, owner-occupied holdings were 47 per cent and tenanted farms 42 per cent of the total (the remainder being of mixed tenure), so real differences in the rates of investment are implied.

Investment by owner-occupiers in buildings continues to be higher than by landlords and tenants; in 1976-7 the average gross investment per owner-occupied farm of between 275 and 4199 smds in England and Wales was £1,005, while the corresponding figure for tenanted farms was £638 (MAFF,1978c). In neither tenure did investment in buildings involve a majority of farms; only a third of all owner-occupied farms added to their buildings while only just over a quarter (26.1 per cent) of tenanted farms did so.

It should be borne in mind that, although some tenants have in practice provided part of the fixed capital frequently regarded as the responsibility of landlords, a practice which reflects the security of tenure they enjoy and the inability of some landowners to finance such investment, in general they have a more restricted range of on-farm investment opportunities open to them than do owner-occupiers. This is likely to be reflected in higher machinery stocks and shorter-term fixed capital provision and that appears to be the case on smaller farms at any rate. Harrison (1975) points out that, where tenants had invested in and maintained landlord-type assets,many had secured tacit agreements with their landlords that their rents would remain at a low level. A further point to emerge from Harrison's survey in England was that landlords and tenants tended to invest in different categories of equipment. Landlords preferred to invest in longer-lasting and more general purpose items which were not specific to individual tenants or particular farming systems; tenants had different time costs and planning horizons and so selected the shorter-term and more specific items for investment. It will be interesting to see if the recent legislation granting security to the successors of tenants in England and Wales alters this pattern.

Borrowing by tenants

Although they do not employ so much capital in total as do owner-occupiers - who have to provide the land they occupy - tenants finance a much higher proportion of their total assets by borrowing. In 1969 it was found that in England liabilities formed on average 16.9 per cent of assets on tenanted farms as opposed to 10.2 per cent on wholly owned farms and 10.0 per cent on mixed tenure farms (Harrison, 1975). This order of difference was found in most sizes of farm but was more extreme among farms of 405 ha and over where the percentage liabilities

Table III.A.5

Balance sheet for the end of the 1976-7 accounting year. All types of farming (excluding horticulture) farms 275-4200 smd. England and Wales

	Tenanted		Owner-occupied		Mixed		All tenures	
No.	274		262		263		797	
Average smd	903		802		1049		921	
Average ha	86		71		91		83	
Average NFI*	8968		6955		9226		8357	
Assets								
Fixed	21298		93037		86436		70426	
Current	17079		14252		18940		16770	
Total	38377		107289		105376		87196	
Liabilities								
Long & medium term		%		%		%		%
AMC	5	-	2656	26	2597	21	1888	19
Building Soc.	-	-	182	2	26	-	74	1
Bank Loans	251	4	590	6	970	8	634	6
Relatives	511	9	1203	12	972	8	923	9
Other	125	2	498	5	729	6	478	5
(Total)	(891)	(15)	(5130)	(50)	(5292)	(43)	(3997)	(41)
Short-term								
Hire purchase	176	3	80	1	137	1	128	1
Creditors	2509	43	1958	19	2690	22	2382	24
Bank overdraft	2292	39	2947	29	4266	34	3248	33
Other short-term	11	-	74	1	31	-	40	-
(Total short-term)	(4989)	(85)	(5059)	(50)	(7124)	(57)	(5798)	(59)
Total liabilities	5880	100	10189	100	12416	100	9795	100
Liabilities as % assets	15.3%		9.5%		11.8%		11.2%	
Liabilities as % of NFI	65%		146%		135%		117%	

* Excluding appreciation in value of breeding livestock.

Notes

1 Assets (fixed) include land and buildings owned, machinery and equipment and breeding livestock. Assets (current) include trading livestock, crops, consumable stores, debtors and cash at hand and in bank.

2 This table differs from the Harrison study (Harrison, 1975) in its inclusion of creditors, equivalent to the short-term credit involved in the normal practice of trade.

Source: MAFF, 1978c.

of tenants and of owner-occupiers were 30.2 and 5.7 respectively.

Because tenants do not need to finance land purchase, their borrowing patterns are even more simple than those of owner-occupiers. Harrison found that 91 per cent of borrowing by tenants was supplied by banks, with private credit providing another 6 per cent. A similar set of figures can be gleaned from the liabilities and assets survey which currently forms part of the FMS. The latest data (for the end of the 1976-7 accounting year) again show the higher liabilities-to-assets position of tenanted farms, (15.3 per cent) as opposed to wholly owned ones (9.5 per cent)(Table III.A.5). The difference between the total borrowings per farm of these two 'pure' tenure groups is almost entirely accounted for by additional long and medium-term loans, mostly associated with land purchase. The short-term borrowing figures are not directly comparable with the earlier Harrison findings because the FMS includes trade creditors. However, the two sources agree that, bank credit is relatively more important to tenants although in absolute terms it is less than that granted to owner-occupiers and that, private (largely family) credit is both relatively and absolutely greater among owner-occupier farmers.

In 1975 liabilities on rented farms were a little less than NFI and varied very little between different sized farms, (see Table IIIA.6). However, the higher liabilities of owner-occupiers in relation to NFI are not directly comparable with the figure for tenants because of an element of double counting; about half the liabilities of owner-occupiers are long-term, probably linked to land purchase, and NFI has already made allowance for an imputed rent charge equal to about 30 per cent of NFI. Taking either only short-term borrowings into account, or, adding back the imputed rental value on owner-occupied farms, greatly reduces any inter-tenure difference in the ratio between liabilities and income.

Table III.A.6

Total liabilities as a percentage of NFI by size of farm, England and Wales, 1975

	Farm size smds			
	275-599	600-1199	1200-4199	275-4199
	%	%	%	%
Tenanted farms	93.5	101.5	93.4	96.0
Owner-occupied farms	183.9	191.5	119.8	149.8

Source: CAS, 1978.

A further question about borrowing concerns the sources of finance for recent investments. Table III.A.7 shows that, both on rented and on owned farms, most of the finance for new investment is generated within the farm business (investments by

landlords are not included in this table taken from the liabilities and assets part of the FMS.) However, it is clear that, in the two years illustrated tenants depended more than owner-occupiers on an increase in loans to finance new investment, although mixed tenure farms were even more dependent on additional borrowing, generating less than three-quarters of the necessary finance within the business.

Table III.A.7

Source and disposition of funds on farms of 275-4199 smd. England and Wales 1976-7 (with 1974-5 in parenthesis)

	Tenanted		Owner-occupied		Mixed
No. of farms		274		262	263
Average size: smd		903		802	1049
Average size: ha		86		71	91
New investments £/farm		7333		7103	10836
per ha		83		100	119
per '000 smd		81		89	103
Percentage distribution:					
Sources of funds					
Sales of land and fixed assets [1]	(14.5)	15.2	(12.6)	12.5	13.6
Depreciation provisions	(23.3)	19.1	(18.1)	18.0	15.5
Farm earnings retained in the business	(20.7)	33.7	(36.1)	31.4	23.2
Capital funds introduced[2]	(22.3)	16.2	(22.9)	26.0	20.8
Grants	(3.3)	2.2	(5.3)	5.0	3.7
Increase in loans	(15.9)	13.6	(5.0)	7.1	23.2
		100.0		100.0	100.0
Disposition of funds					
Land and buildings		10.8		39.6	33.5
Machinery & equipment		56.4		40.6	43.9
Breeding livestock		2.5		- 0.4	0.1
Additions to current assets		30.3		20.2	22.5
		100.0		100.0	100.0

Notes:

1 Fixed assets include machinery, equipment and breeding livestock.

2 Capital funds introduced include gifts, injection of non-farm earnings and reinvestment of profits from previous years.

Source: MAFF, 1978c.

III.A.(c) Farm incomes of tenants

As has already been recounted, the published official estimates of incomes of farmers treat all farms as (wholly) tenanted, imputing a rental value for owner-occupied land. The resulting figure does not correspond in any precise way with the income as calculated for purposes of Income (or Corporation) Tax assessment because of differing accounting conventions, including the imputing of rental values, differing treatments of depreciation and of interest on borrowings. However, the methodology of official farm income estimates is less inappropriate when applied to tenanted farms than when applied to owner-occupied ones. Problems still remain in endeavouring to interpret published estimates so as to shed light on the actual performance of groups of farms because, in order to estimate averages in many forms of the analysis of incomes, all tenure groups are taken together even though there are likely to be important differences in the business reactions of small-scale tenants and small-scale owners.

The principal concept of income at the farm level used in official statistics is NFI and represents an amalgam of a return to the farmer and his wife for their own labour and management and a return on tenant-type or working capital (i.e. the value of livestock, crops and machinery but not land and buildings which are treated as landlord-type assets and for which a rent is charged or imputed). From NFI a notional interest on working capital can be deducted to give a Labour Income per farm figure, being the reward to the farmer's labour and management; this is the main income concept used by the European Economic Community. Alternatively, deducting from NFI an imputed labour charge for the farmer and his wife's physical labour input results in a residual which is the return to management and working capital, termed Management and Investment Income. NFI is calculated before the deduction of interest on loans and excludes interest on any financial assets owned outside the farm business and incomes from other occupations. Unpaid family labour (other than that of the farmer and wife) is charged for at appropriate paid-labour rates. It follows that the NFI figure, although a useful indicator of year-to-year changes in income on rented farms and a basis of comparison between rented farms of different sizes and types (a role which Hearn (1977) argues is inappropriate when applied in the owned and mixed-tenure sectors), it does not necessarily correspond with the actual income of farm families. Some idea of the relative importance of these non-farm sources of income can be gleaned from Harrison's study of English farming (Harrison,1975) in which he found that in 1969 just over 25 per cent of farm business principals (all farm tenures together) had another source of earned income, and in eight out of ten cases this other income was at least equal to - and most likely more than - farming income. Figures for non-farming wealth and non-earned income are harder to ascertain, but in England 11 per cent of farmers owned non-farming assets equal to at least 50 per cent of their farming capital (Harrison, 1975). While it is suspected that the pattern of non-farm income and assets is not uniform among tenants and owner-occupiers and varies both with location and size of farm, it would be misleading to leave the

impression that NFI is a totally comprehensive guide to the disposable income of tenants.

Two further complications must be considered. First, the rates of inflation experienced in the UK during the 1970s have caused serious problems concerning machinery and equipment depreciation allowances and the appreciation of breeding livestock. In the 1978 edition of Farm Incomes in England and Wales, covering the farming year 1976-7, it is estimated from aggregate data that depreciation at replacement cost would be three times higher than current provisions which are based on original costs. In the 1977 forecast estimate of UK aggregate NFI of £1,796M (MAFF, 1978c), machinery depreciation was entered at a cost of £503M; it is clear, therefore, that a trebling of this figure would have serious consequences for the estimated residual income. The appreciation of stocks of some types of tenant's capital, primarily breeding livestock, creates a problem in the dairying and livestock rearing sections akin to that encountered with land in the owner-occupied sector in that, while net worth is increased, this cannot be enjoyed as income in the short-run without disposing of part of the business. In consequence it has become practice to publish two estimates of NFI, including and excluding the appreciation of breeding livestock. Excluding such appreciation reduced the aggregate income in 1977 (forecast) by 25 per cent, but corresponding reductions in other years would generally have been more than that.

Second, the principal criterion of farm size used in official statistics is the estimated labour requirement expressed in smd. Although, like area, estimated labour requirement is only a partial measure of farm size and makes tacit assumptions about the quantities of the other associated factors, since its introduction in the early 1960s it has proved helpful in practice and superior to area as a proxy for business size when dealing with enterprises, such as pig and poultry farms, which use relatively little land. The coefficients by which the numbers of livestock and areas of crops found on farms are multiplied to achieve a whole-farm estimated labour requirement are derived averages. The coefficients in use in 1976-7 had not been revised since 1968 so that estimated smds then did not necessarily correspond precisely with the actual labour requirements or usages on individual farms or particular groups. However, they have since been revised.

When looking at farm incomes as part of a study of landownership and occupation it is desirable to have an analysis of farm performance and income based on areas of land. Unfortunately, official statistics do not provide this in detail and, although within farming types there may be reasonably close associations of land areas with estimated labour requirements, problems are encountered when comparisons are attempted between businesses where intensities of land use differ. In Farm Incomes in England and Wales (MAFF) estimated average farm incomes are presented by farm types and sizes, including a wealth of detailed analysis of the composition of farm revenues and costs; regrettably for present purposes the only criterion of size employed is the estimated standard labour requirement. However, the publication also provides one table containing a

much less detailed outline of income but based on holding size in ha, reproduced in Table III.A.8. These estimates embrace all farms in the sample, whether tenanted or owned, but treat owned farms as tenanted by imputing a rental value for their land and buildings.

The principal conclusions concerning income to be drawn from this table are that (i) both NFI and Labour Income per farm increase with farm size measured in land area for all types of farming; (ii) incomes per ha fall with increasing farm area for most farming types, the most notable exception being the crop growing farms; (iii) the levels of income generated by farms in comparable size groups vary markedly between types of farming. Some of these differences can be explained in terms of land quality; for example, livestock farms, particularly those relying mostly on sheep, tend to use low-quality land and this is reflected in the relatively low average valuation of tenant's capital on livestock farms. However, part of the difference comes from fluctuations in product prices, like those which benefited the growers of cereals and potatoes in 1976-7; low yields caused by the summer drought of 1976 were accompanied by more-than-proportional rises in product prices so that revenue increased. On cropping farms, which were the principal beneficiaries, incomes rose by 14 per cent over the previous year compared with a general rise for all types of 6 per cent. The official forecast for the following year (1977-8) (MAFF, 1978) was that incomes on cropping farms could be expected to fall, whereas dairy farms, which in 1976-7 had experienced an income growth of 6 per cent, could expect a substantial rise of perhaps 20 per cent or more. These figures illustrate the danger of making inter-type income comparisons based on single years and underline the point made in the introduction that a principal problem of farm incomes is not generally their low absolute levels but their marked and largely uncontrollable variations from year to year.

This variability in NFI is reflected in the estimated returns on tenant's capital, conventionally estimated as NFI less an imputed cost for the physical labour input of the farmer and his wife (i.e. Management and Investment Income) expressed as a percentage of (average) tenant's capital. No specific allowance is made for the farmer's managerial input, although an alternative method of calculating returns, including an imputed managerial salary, has been put forward (Britton, 1970). Returns on tenant's capital in England and Wales and Scotland for some recent years are shown in Table III.A.9. There are no figures for Northern Ireland because the comparable data source does not provide information on the value of farmers' and wives' labour The principal features of these figures are:

(i) the great variability of rates of return, particularly on small farms; for example small dairy farms suffered a severe drop from a + 19.7 per cent return (1972-3) to a - 9.3 per cent return only two years later. The smaller the farms the greater fall in income they tended to suffer.

(ii) the rate of return was generally lower on farms in the 275-599 smd size band than on those over 1,200 smd;

(iii) returns differed markedly between different farming types.

The overall rate of return on tenant's capital in more recent years (1975-6 and 1976-7) has been around 22 per cent and 33 per cent on the most profitable 50 per cent of farms. An important feature, however, is the variation between farms in the same size and type groups. As Table III.A.10 shows, in South-east England there is a large margin between the average and 'premium' performers in almost all farming types and sizes. It should be remembered, however, that the calculation includes an estimate for the depreciation of machinery based on original costs and a recalculation of depreciation based on replacement costs would materially reduce the generally high levels of return which were enjoyed during the period 1975-6 - 1976-7. In terms of efficiency (as measured by the value of output per £100 of all inputs) the one and two-man farms are well established as being less efficient than the larger (medium-sized) units (see Section II.A).

A note on mixed-tenure farms

In Section I.B describing the tenurial arrangements of farms in the UK as a whole it was noted that the common practice of assuming farms are either owner-occupied or rented flies in the face of the fact that mixed-tenure farms in England and Wales account for about 40 per cent of the land and that mixed-tenure is probably the most common tenure form for farms of over 121 ha. After allowing for the sudden growth in their numbers since 1974, as likely to have been largely the result of adaptation to changing taxation legislation, longer-term rises particularly over the 1960s and among the larger-sized farms, suggest that they play a key role in structural adjustment. It seems reasonable to suppose therefore that they will collectively reveal some of the characteristics associated with business growth. It is appropriate at this point to draw together some of the observations on mixed-tenure farms made elsewhere when discussing 'pure' tenure farms.

Mixed-tenure implies, of course, a wide range of mixes which make the group as a whole heterogeneous; some writers have attempted to circumvent this by classifying mixes close to one tenurial pole with the appropriate 'pure' tenure, although MAFF's definition of 'mixed' does not allow such compromises. The convention of classifying mixed-tenure holdings with the majority 'pure' group (e.g. forming a rented-and-mainly-rented category) seems, however, far too coarse a system and likely to conceal much of interest pertaining to the mixed-tenure group as a whole.

In official statistics mixed-tenure farms are larger than farms in either 'pure' tenure. Survey evidence (Harrison, 1975) suggests that, of those farms which became mixed during the occupancy of the present farmer, the ones that began as rented farms and bought land outnumbered those that began as owned farms and rented land by three to two. Farms which became of mixed tenure had more supporting non-farm assets and farmers on mixed-tenure were more geographically mobile (see Table II.A.4). The most recently published findings from the FMS (England and Wales)

Table III.A.8 NFI and Labour Income - FMS England and Wales 1976-7

	Area of farm (total ha)	NFI per farm	NFI per ha	Labour Income per farm	Labour Income per ha	Average Valuation per ha
Specialist Dairy	50 and under	4840	161	6528	210	569
	- 100	8967	127	14311	196	488
	- 200	13389	101	23539	173	466
	- 300	n.a	n.a	n.a	n.a	n.a
	Over 300	32730	80	65989	153	455
Mainly Dairy	50 and under	6033	174	7571	210	526
	- 100	8800	123	13864	190	417
	- 200	14281	105	23658	169	414
	- 300	20666	89	35653	149	419
	Over 300	26320	64	48485	112	363
Livestock (mostly sheep)	50 and under	1872	59	2667	83	225
	- 100	3445	47	5163	68	218
	- 200	4772	33	7885	54	166
	- 300	7842	31	10682	42	98
	Over 300	9642	12	14737	18	33
Livestock (cattle & sheep)	50 and under	2430	74	3281	96	329
	- 100	5036	71	6910	95	309
	- 200	9350	68	13629	97	297
	- 300	12881	55	19922	82	249
	Over 300	17902	36	28376	56	156
Cropping (mostly cereals)	50 and under	2349	66	2 70	80	237
	- 100	6950	95	8315	111	273
	- 200	11321	80	15028	104	283
	- 300	20280	89	27515	117	280
	Over 300	38302	87	53766	119	277
General cropping	50 and under	10258	352	11542	384	516
	- 100	15533	210	20481	269	469
	- 200	27134	197	35722	253	423
	- 300	36144	156	49451	208	399
	Over 300	63399	163	88000	219	336
Mixed	50 and under	4863	156	7144	223	433
	- 100	13592	180	18880	242	527
	- 200	16334	116	25023	171	446
	- 300	29387	124	49940	208	463
	Over 300	35966	79	69407	149	398
Pigs and poultry	50 and under	11451	418	15049	519	998
	- 100	12792	184	19420	273	684
	- 200	25835	191	35161	254	598
All types (excluding horticulture)	50 and under	6189	203	8007	258	571
	- 100	8586	119	12445	168	406
	- 200	14424	105	21169	149	364
	- 300	22422	97	33741	141	336
	Over 300	36994	78	56788	118	259
Horticulture	50 and under	9778	709	18576	1238	1014
	- 100	13385	198	25092	348	458
	- 200	37175	264	58873	409	430

Notes:

(i) NFI excludes breeding livestock appreciation (BLSA)

(ii) Labour Income includes BLSA but has deducted 5 per cent interest charge on tenant's capital.

(iii) Labour Income per ha has been estimated within each size group by dividing the published average Labour Income per

Table III.A.8 (continued)

farm by the average size in ha. It is thus not identical to the average of Labour Income per ha for each individual farm within each size group.

Source: MAFF, 1978c.

show that mixed-tenure farms were on average larger and their incomes correspondingly higher, although income per ha was not superior to that of tenanted farms (see Table III.A.11). The most interesting feature, however, of the FMS mixed-tenure farms was that in 1976-7 they invested more heavily per ha and per '000 smd than either 'pure' tenure, and their short-term liabilities especially to the banks were much heavier (see Table III.A.5). Mixed farms were much more dependent on an increase in loans to finance new investments - 23.2 per cent of finance came from this source as opposed to 13.6 per cent on tenanted farms and 7.1 per cent on owner-occupied. Mixed farms have higher machinery valuations per ha (see Table II.A.9) and larger mixed-tenure farms (202.4 ha and over) are more heavily equipped with modern buildings than either 'pure' tenure. These are all characteristics which seem compatible with a relatively dynamic and expanding sector of farming.

Table III.A.11

Comparison of selected farm business features by tenure, England and Wales, 1976-7

	Rented	Owner-occupied	Mixed
New Investments (£)			
per farm	7333	7103	10836
per ha	83	100	119
per '000 smd	81	89	103
Net Farm Income (excl.BLSA)(£)			
per farm	8968	6955	9226
per ha	104	98	104
per '00 smd	993	867	880
Short-term liabilities (£)			
per farm	4989	5059	7124
per ha	58	71	78
per '00 smd	552	631	679
Average size (smd)	903	802	1049
Average size (ha)	86	71	91
Number	274	262	263

Source: Derived from MAFF, 1978c.

Table III.A.9 a

Returns on tenant's capital on different types and sizes of farms in England and Wales, 1972-3 - 1974-5

Farm type	Farm size - smds 275-599	600-1199	1200-1799	1800-2399	2400-4199
1972-3	%	%	%	%	%
Dairy	19.7	23.1	23.8	21.4	17.1
Livestock	17.7	21.1	26.6	23.3	23.9
Cropping	12.4	19.3	20.4	20.0	17.9
Pigs & poultry	11.8	14.1	25.0	-	-
1973-4					
Dairy	5.7	13.6	14.3	15.1	17.3
Livestock	19.7	16.0	14.2	20.5	-
Cropping	30.2	34.2	32.3	33.6	30.6
Pigs & poultry	-	15.7	28.6	-	-
1974-5					
Dairy	-9.3	3.4	6.2	9.3	10.0
Livestock	-4.7	4.4	12.7	12.9	10.0
Cropping	19.4	25.4	26.4	27.8	25.7
Pigs & poultry	-	-3.8	16.9	-	17.9

Source: CAS, 1978.

Table III.A.9 b

Returns on tenant's capital on different farm types and sizes in Scotland, 1972-3 - 1974-5

Farm type	Farm size - smds 275-599	600-1199	1200 and over
1972-3	%	%	%
Hill and upland farms	24.2	24.2	20.4
Rearing farms	15.2	19.7	23.3
Cropping farms	13.5	12.0	17.0
Dairy farms	14.0	21.6	22.1
1973-4			
Hill and upland farms	13.7	13.5	16.0
Rearing farms	9.4	14.8	11.5
Cropping farms	17.9	16.8	19.1
Dairy farms	- 5.3	8.8	7.3
1974-5			
Hill and upland farms	0.6	3.7	5.6
Rearing farms	7.1	13.6	12.6
Cropping farms	-3.0	16.0	20.6
Dairy farms	-15.3	-6.5	12.5

Source: CAS, 1978.

Table III.A.10

Return on tenant's capital* on farms in South-East England, 1975-1978

Farm Type Group	1975-6 - 1976-7		1976-7 - 1977-8	
	All farms	50% most profitable farms	All farms	50% most profitable farms
Mainly Dairying:				
under 60 ha	15	26	12	20
60 to 120 ha	22	30	18	26
over 120 ha	19	29	19	28
Mainly Arable:				
Under 100 ha	23	38	11	25
100 to 200 ha	18	28	11	22
over 200 ha	36	55	19	31
Dairy and Arable:				
under 200 ha	31	46	21	29
over 200 ha	26	36	23	30
Mainly Sheep/Cattle:				
Under 100 ha	12	23	5	18
over 100 ha	14	23	12	20
Sheep/Cattle and Arable:				
Under 100 ha	22	39	12	24
over 100 ha	15	24	13	23
Mainly Pigs/Poultry:	30	38	13	34
Mixed, with Pigs/ Poultry:	26	44	14	36
Intensive Arable:				
Fruit	34	58	25	45
Vegetables	48	67	24	37

* (Return on Tenant's Capital = Management and Investment Income as a percentage of Total Tenant's Capital. In calculating management and investment income (i.e. gross output less total inputs), the value of unpaid manual labour and an estimated rent on owner-occupier land are included in inputs, and land ownership expenses, interest payments and paid management are excluded).

Sources: Nix, 1978 & 1979.

(13)

III.B. The Letting of Farmland Including the Fixing of Rents

III.B.(a). Background

For many hundreds of years owners of the freehold interest in farmland have exercised their right to control the use of that land. Some have chosen to farm the land themselves and some have granted rights out of their freehold interest to others who were then enabled to farm the land. In early times this right was granted in return for varying forms of feudal service. Later, leaseholds grew up outside the feudal system. Land was let for a money payment but the farmer initially had no right in the land itself, only personal rights and obligations with his landlord. Eventually the courts acknowledged that these tenants of leaseholds had a legal right in the land as well.

The rights between landlord and tenant were governed by Equity and Common Law until an Act in 1851 gave tenants rights of compensation for improvements, at first permissive but later mandatory. During the next 50 or 60 years tenants were given increasing protection against arbitrary and short notices to quit and the concept of disturbance compensation was introduced.

The legislation controlling the landlord and tenant system in agriculture was formulated and enacted as part of post-war social and economic planning and is contained in the Agricultural Holdings Act 1948 (The 1948 Act) and a number of later Acts. The concept of the 1948 Act remains unchanged, but there have been some modifications to remove anomalies and to increase the tenant's rights to compensation. Until 1976 the essential balance between landlord and tenant to ensure a true partnership and to foster essential goodwill was maintained. However, in 1976 the Agriculture (Miscellaneous Provisions) Act (the 1976 Act) was passed which has legislated further in favour of the tenant by giving his family certain rights of succession to a tenancy (succession rules) and considerably reduced the opportunity for the landlord himself to farm the land since, in theory, a family tenancy could endure for three generations. Again, as in 1948, there is much criticism and pressure to redress the balance. It seems that, although the 1948 Act was criticised but accepted, the 1976 Act has resulted in strong demands to review the whole system, since virtually no farms are being let on the open market, with the result that the difficulties and problems for young would-be tenants, have been much increased.

III.B.(b). Forms of letting

Leases

Prior to 1948 many landlords of their own volition extended additional security to tenants by granting tenancies for fixed terms; 21 years was a common length. At the end of that term the tenant had no security but was entitled to compensation under the legislation then in force. Since 1948 such agreements have become, at their termination, tenancies from year to year and therefore subject to the 1948 Act, thereby acquiring long term security.

Year to Year Tenancies

By far the most common arrangement is for the tenancy to be for 'one year certain and thereafter from year to year'. Although the term dates for such agreements can be at any time, by far the most common, in England and Wales, are around Lady Day (25 March to 5 April) or around Michaelmas (29 September to 11 October), dates which, traditionally, represent the start of the spring cultivation period and the end of the harvest. Such tenancies are subject to the provisions of the 1948 Act and so the tenant enjoys full security.

Oral and Written Agreements

The great majority of tenancies are regulated by written agreements, the contents of which are freely settled between landlord and tenant and set out the rights and obligations of both parties.

However, in times past,many year to year tenancies were oral agreements (indeed many still exist) and therefore the 1948 Act enacted that such tenancies should become subject to the terms of the Act; additionally there is provision for either party, where the other refuses to co-operate, to arrange for an arbitrator to settle the terms of a written agreement. In so doing the arbitrator has to include certain basic and essential clauses such as: the term date, the repair liabilities and names of the parties. It is usual for written agreements to prevent a tenant from assigning his interest in a tenancy to another, but such a clause is not possible in oral agreements and the 1976 Act, which introduced the succession rules, also provided that an arbitrator settling the terms of a written agreement, must also include a clause prohibiting any assignment.

Limited Term Tenancies

The 1948 Act recognised that there were certain situations which justified the granting of tenancies for more than one year without creating security for the tenant. Such tenancies can be arranged where, upon the application to them, the MAFF have given their prior consent. This device is often used in cases where it is wished to have the land properly farmed for a limited period, for instance, during a period before some form of development takes place. In a similar way it is also possible to arrange short term tenancies of between 12 months and 24 months provided they are for a fixed term; under them tenants do not enjoy the security of the 1948 Act. This is anomalous and arises only because of the wording of the section.

Seasonal Grazing Agreements

In the main grazing areas, grass keeping has for many years been let annually, usually for about a six month period, although up to 364 days may be arranged. Provided the land is used only for grazing and mowing such lettings are not subject to the provisions of the 1948 Act. Since the 1976 Act there has been an increased use of such agreements in an attempt by landlords to retain possession.

Cropping Arrangements

In certain parts of the country it is the practice for land to be used by a neighbouring farmer for the growing of specialist crops, such as bulbs, carrots, or other vegetables. Such arrangements might technically create a tenancy but custom has prevailed and no tenancies are claimed.

III.B. (c) The Agricultural Holdings Act

Security of Tenure

The 1948 Act introduced the concept of lifetime security of tenure. The method it adopted is a simple one: where a tenant wishes to challenge a notice to quit, that notice (except in certain circumstances mentioned below) will not operate without consent from an Agricultural Land Tribunal who hear both parties before making their decision. It is the tenant who has to initiate the process by serving a counter notice within a month of receiving the notice to quit.

Eight Agricultural Land Tribunals, organised on a regional basis cover the whole of England and Wales. Each one has a Chairman (who must be a barrister or solicitor of not less than seven years standing) and members from a panel (one with landowning interests and one with practical farming interests). Proceedings are formal and the parties are normally represented by a lawyer.

The 1948 Act also recognised certain situations where it is equitable that preliminary hearings by the Agricultural Land Tribunal or at Arbitration should resolve the principles involved before the notice to quit has been served; in these cases the tenant cannot normally claim a further hearing before the Agricultural Land Tribunal. Such prior proceedings settle, for the landlord and tenant, whether the Agricultural Land Tribunal will give their consent to the operation of a notice to quit before the service of that notice. A landlord can only adopt this procedure however if he wants to serve the notice to quit on certain specific grounds:-

(i) in the interest of good husbandry; this means comparing the tenant's present system with the landlord's proposed system (it does not necessarily imply that the tenant is farming badly only that the landlord claims he will farm better);

(ii) because the tenant is not fulfilling his obligation to farm properly; if the landlord is able to prove this point the Agricultural Land Tribunal will issue a certificate of bad husbandry;

(iii) in the interests of sound estate management; this often involves some form of amalgamation scheme; or

(iv) on the grounds of the landlord's greater hardship (not an easy point to prove when the tenant will be dispossessed if the landlord wins).

Other matters are dealt with at arbitration and usually involve questions of whether the tenant has carried out certain operations or works, or the degree to which he has done so on a certain specified date. The most usual case is where the tenant is in breach of his covenants in the agreement and the landlord serves on him a 'Notice to Remedy', which requires him to make good those breaches by carrying out works.

The landlord also has the power, although rarely employed, to serve a notice to quit because the tenant has committed a breach of the tenancy agreement which is not only irremediable but also has caused material damage to the landlord's interests (for example, the felling of the landlord's timber). A tenant who wishes to contest such a notice to quit must serve a counter notice and the matter is then settled at arbitration.

Prior to 1976 there was strict application of the rights and obligations under the tenancy agreement or the statutory repairs covenant, now, the tenant can challenge, at arbitration, whether the landlord is being reasonable about the list of works demanded, the materials to be used, and the time given to do the work. The 1948 Act and subsequent case law resulted in the landlord, of a tenant who failed to comply with even one item within the list contained in the notice to remedy, being allowed to serve an incontestable notice to quit but, since the 1976 Act, the tenant can demand an Agricultural Land Tribunal hearing to decide whether the landlord is being 'fair and reasonable' in seeking to enforce that notice to quit, even if the work in the notice to remedy has not been fully completed.

Lastly, a tenant who becomes insolvent and is then adjudged bankrupt has no rights to challenge a notice to quit served for that reason; nor has a tenant who, after formal notice, fails to pay the rent due (although he can seek arbitration to settle the facts of the matter).

Succession to a tenancy by members of the family

Until 1976 the death of a tenant gave the landlord the opportunity of serving an incontestable notice to quit within three months of the tenant's death. However, the 1976 Act enabled certain members of the tenant's family (for example, widow or widower, son or daughter, brother or sister) to claim a new tenancy; two such successions are possible, so that if everything goes in favour of the family, a tenancy can last for three generations.

Naturally, there are safeguards for the landlord. A potential successor has to apply for the privilege and must be 'eligible'; apart from his relationship to the deceased tenant his principal livelihood must have been from the farm itself and he must not occupy (either as a freeholder or as a tenant in his own right) another commercial unit.

The 1976 Act adopted the definition of a 'commercial unit' which had been applied by the Agriculture Act 1967 to the Farm Amalgamation Scheme as one which, under reasonably skilled management, will provide, in the opinion of the Ministry of

Agriculture, full-time employment for two people. In making such an assessment MAFF adopts a standard of an aggregate of 600 days work a year provided that the system of husbandry is suitable for the district and the greater part of the feeding stuffs needed for any livestock kept on the unit is grown on that unit. The potential successor also has to prove that he is 'suitable' to succeed to the tenancy. The criteria for suitability include age, health, training and experience, and financial backing. A landlord who wishes to contest a possible succession must serve a notice to quit within three months of the tenant's death.

While there is nothing to stop a voluntary application of the legal rights (and indeed it was a regular and voluntary feature on farms before 1976), many are now contested by landlords and the matter is decided by an Agricultural Land Tribunal. As more than one member of the family can apply the Agricultural Land Tribunal may have to choose the one who is most suitable.

It is complex new legislation and the Royal Institution of Chartered Surveyors has published analyses of Agricultural Land Tribunal decisions. (R.I.C.S., 1978a).

Length of notice to quit

With only one exception, a notice to quit must be at least one year's duration, to expire on the term date of the tenancy. The exception is when the written agreement allows for a short notice (not less than two months) to enable the landlord to obtain possession for the purpose of a non-agricultural use for which he has obtained the necessary consent under the Town and Country Planning Acts.

Freedom of cropping

Many old tenancy agreements set out in detail the cropping rotation to be followed throughout the tenancy; with the advance in agricultural techniques and scientific knowledge adherence to a strict rotation is no longer essential to maintain soil fertility or to keep the farm clear of weeds.

An Act in 1908 gave the tenant freedom of cropping except during the last year of the tenancy. The terms of the tenancy agreement usually provide for a reasonable standard of farming, despite the statutory freedom of cropping but, even if the tenancy agreement is silent, statute has given the landlord protection. Usually, however, the tenancy agreement sets out and fixes the cropping during the last year of the tenancy. In effect the tenant has a duty to farm in accordance with the 'rules of good husbandry'.

The matters covered by the rules include: working the arable land to maintain its condition, fertility, and freedom from weeds; the pasture to be properly grazed or mown; a livestock farm to be fully stocked and properly grazed; crops to be properly harvested and stored; maintenance and repair work to be carried out. Inevitably, breaches of such rules are often difficult to pinpoint.

The landlord can ensure compliance with these rules or the terms of the agreement by serving on the tenant a notice to do work to remedy breaches and the tenant risks receiving a notice to quit by failing to comply with such a notice.

Tenant's compensation

The 1948 Act consolidated the existing laws on compensation. A tenant may claim compensation for:-

(i) Long-term improvements for which landlord's consent is essential - for example: the planting of orchards or works of irrigation.

(ii) Long-term improvements for which landlord's consent is essential, but has been witheld and that of the Agricultural Land Tribunal obtained instead - for example: the provision of new, or the enlargement of existing, buildings; the provision of permanent fences; and land drainage.

(iii) Improvements for which landlord's consent is not required - for example: the liming of land, the unexhausted value of artificial fertilizers and farmyard manure.

(iv) Tenant-right matters - for example: growing crops; severed crops which the tenant must leave on any farm; and the cost of establishing grass leys (not being a requirement of the terms of the tenancy).

At the end of the tenancy there is a two month period in which **to make the initial claim and the 1948 Act provides a strict timetable for settlement. If the parties cannot agree an arbitrator must be called in; his appointment must be made** before the timetable expires (not more than eight months from the termination of the tenancy).

Another aspect of the tenant's compensation is his entitlement to disturbance. This arises where the landlord serves a notice to quit and, as a consequence, possession of the whole or part of the farm is given. The right to this type of compensation does not arise where the notice to quit arises from some act, or the omission of some act, by the tenant, (such as failure to comply with a notice to remedy, certificate of bad husbandry, death, bankruptcy or failure to pay rent).

The amount of compensation payable is, basically, one year's rent but an additional year's rent can be claimed where the tenant can prove that his removal costs, or his loss on sales of fixtures, livestock and implements, exceed one year's rent. An important addition to disturbance compensation was made by the Agriculture (Miscellaneous Provisions) Act 1968; in order to

assist in the tenant's reorganisation, the landlord must pay an additional sum equal to four times the rent where the use of the land, after the notice to quit, is to be changed to a non-agricultural use, including forestry.

Lastly, a tenant is entitled to remove fixtures either during or at the end of the tenancy provided that he has fulfilled all other obligations under his agreement or under the 1948 Act. However, before doing so he must give the landlord one month's notice; unless the landlord states his intention of purchasing the fixture the tenant has the right of removal, either during the tenancy or within two months of its termination. In so doing not only has he a duty to minimise any damage, but also to make good any he causes. A fixture is defined in the 1948 Act as any engine, machinery, fencing or building for which no other compensation is payable.

Once the tenant's claim has been settled any sums due to the tenant and not paid within 14 days of the settlement or arbitration award may be recoverable upon an order made by the County Court.

Repair liability

Tenancy agreements negotiated between the parties have a wide variety of repair covenants. They range from a full repairing obligation for the tenant, through the tenant being responsible for the work with materials supplied by the landlord, to the landlord being responsible for the structures and the tenant merely responsible for the interior. However, it is rare that the tenant is not wholly responsible for such things as hedges, fences, gates, and ditches.

In an attempt to create some uniformity throughout England and Wales regulations were prepared under the 1948 Act which apply to all tenancies, whenever they started, but they only apply where the agreement is silent. Where the agreement and the regulations differ it is always the agreement which determines the obligations.

The regulations set out, in detail, the liabilities of both landlord and tenant. The landlord is responsible for: the main walls, roof and exterior structures; the supply of water, electricity and drainage; the insurance of all buildings against fire (with an obligation to replace or repair the damage); the external paintwork but, he may recover half the accumulated cost (on a five year cycle) from the tenant. The tenant is wholly responsible for: the interior of all houses and buildings; the replacement or repair of all damage caused by himself, his family or staff; the redecoration of the interior of the farmhouse, cottages and buildings every seven years, (with an accumulating liability); keeping hedges in order, and ditches scoured and clean.

These regulations were re-examined after some 25 years and in 1973 a new version was issued which applies to all new tenancies, but those existing in 1973 are not generally affected. Apart from changes of detail and clarification the new regulations introduced a new and important concept; that the tenant should not be responsible for items worn out by 'fair wear and tear', unless he had failed in his duty to carry out maintenance.

A landlord can ensure that the tenant fulfils his obligations by invoking the'notice to remedy' provisions already noted. There is a parallel provision for the tenant to ensure that the landlord fulfils his repairing obligations. If the landlord, upon notice from the tenant, does not carry out repairs or replacements the tenant can himself do the work and immediately recover the cost from his landlord; in case of dispute there is provision for arbitration. It may be noted in passing that there is also a rarely used right for a tenant to enforce the provision of fixed equipment by the landlord.

Landlord's compensation

A landlord has power to enter to do repairs which are the tenant's obligation but he has no power to enter to remedy breaches in respect of the land.

At the termination of any tenancy a landlord is entitled to claim compensation for either :

(i) Breaches of the tenancy agreement, or,

(ii) Breaches of a statutory obligation, and, in certain circumstances,

(iii) A general deterioration of the farm .

The great majority of claims arise at the termination of the tenancy but it has been held in the Court of Appeal that a landlord is entitled to apply in the courts for damages arising from breaches of agreement during the course of the tenancy. A landlord wishing to claim at the termination of the tenancy must make his claim within two months of the termination - the same timetable for negotiation and reference to arbitration applies to his claims as it does to the tenant's claims.

When the landlord claims under the 1948 Act in respect of a breach of the rules of good husbandry, the measure of compensation is the cost of making good the dilapidation, deterioration or damage. However, where he claims under the terms of the tenancy agreement, the amount of the claim for a breach of repairing covenant is limited to the resultant loss in value of the property, but, it should be noted that, this principle does not apply to other items in the claim.

The assessment of the damage caused by the breach of covenant (or the statute, as the case may be) is related to the cost of making good that breach. Where there have been breaches of repair liability the cost may be readily assessed, however it may be more difficult to assess the damages attributable to breaches of the rules of good husbandry, which, as was noted

above, express concepts rather than strict and easily identifiable rules. By way of illustration, arguments can arise about whether there is a duty to eradicate all weeds from the land or whether the duty is to keep them to a reasonable and controllable level.

Where a landlord feels that, because of the deterioration in the condition of the farm, the normal basis of compensation will not cover the total diminution in value of his freehold then he may serve a notice, at least one month before the end of the tenancy, warning the tenant that he intends to claim an extra amount for general deterioration. Such a claim cannot include any sums due specifically under and attributable to the agreement or statute. It is effectively a claim for a poor standard of farming over a long period which has reduced the value of the farm, and it is this reduction of value which is the basis of the claim.

Arrangements for recovery of sums due under settled claims by County Court order are similar to that described above.

Under Common Law a landlord is able to levy distress for outstanding rent; in non-agricultural cases the contents of a house and premises may be seized to the value of the rent due, but, seizure of a tenant's tools of trade or of essential clothing are not permitted. The following special provisions for farms were included in the 1948 Act:

(i) the amount due for rent must be reduced by any compensation payable to the tenant;

(ii) no more than one year's rent may be recovered by this method (still further limited where a bankruptcy is involved);

(iii) it is possible for livestock not owned by the tenant to be distrained but the rights of the landlord are limited.

In the case of disputes the matter is settled in the County Court. This is, fortunately, a rare occurrence and a full statement of this complicated aspect of the law is beyond the scope of this section.

The remainder of the rent due, up to the six years allowed by the Limitation Act 1939, may be recovered by action through the Courts.

Rents and review arrangements

Section 8 of the 1948 Act declared that, the basis for review of rent paid by sitting tenants should be the 'open market rent'. However, the first years of its application in practice showed that a refinement was needed. The statutory definition was therefore changed by Section 2 of the Agriculture Act 1958 and since then the basis has been the 'rent at which, having regard to the terms of the tenancy (other than those

relating to rent) the holding might reasonably be expected to be let in the open market by a willing landlord to a willing tenant'.

The main discounts to which the sitting tenant is entitled from this level of rent are,

(i) for the value of any improvements he has carried out at his own expense, either in whole or in part, provided that he was not under an obligation to do them under the terms of the tenancy agreement or following the arrangement with his landlord whereby he received some other benefit.

(ii) for that proportion of the value of any improvement for which the landlord received capital grant under the Government's Farm Improvement Scheme.

The rent must be fixed on the assumption, whatever the facts, that the tenant has fulfilled his obligation under the terms either of his agreement or of statute. The landlord cannot seek to alter the rent at shorter intervals than three years unless he has carried out improvements to the farm or there is any alteration in the size of the farm. All rent reviews are based on and take effect from the term date of the tenancy and strict timetables are enforced. The first step is for the landlord to serve a formal notice under the 1948 Act (a Section 8 Notice) demanding arbitration to fix the rent to be paid. The great majority of rent reviews are amicably settled by negotiation but these negotiations must be finalised before the term date.

The timetable for formal arbitration is:

(i) The Section 8 notice must be served at least one year before the term date at which the rent is to be reviewed.

(ii) If a settlement is not reached, an arbitrator must be properly appointed before the effective term date. Time is vital in this respect, a late appointment of the arbitrator will nullify the Section 8 notice and, as a result, the review could be delayed for up to two years.

(iii) If the parties cannot agree upon an arbitrator either party may apply to MAFF who will select someone who is on their panel - the same time limit applies as described in (ii) above. The arbitrators are chosen from a panel, independently prepared by the Lord Chancellor, of experienced and professionally qualified practitioners.

(iv) Once appointed, the arbitrator may make his award after the term date but the reviewed rent will still be effective from the term date.

A new aspect of rent fixing has been introduced as part of the 1976 succession rules. A successor tenant will have to pay

what is, in effect, an open market rent without the discounts mentioned above. Either party can ask for the appointment of an arbitrator within the period ending three months after the start of the new tenancy, there is however no time limit within which the actual appointment must be made.

Settling disputes

The use of Agricultural Land Tribunals or arbitration was adopted by the 1948 Act in order to provide an inexpensive and quick means of settling disputes since the use of the Courts can often cause delays because of the pressure of their work. However it is still possible to take legal points to the Courts and in recent years a Small Claims Procedure in the County Court has resulted in a simple, quick and cheap way of obtaining judgement for non-payment of claims.

Where a legal point arises during an arbitration, either party can ask the arbitrator to 'state a case' to the County Court. There is a right of appeal from the County Court to the Court of Appeal and thereafter to the House of Lords on the legal point. The arbitrator will not make his award until the legal point has been settled. Once an award has been made the redress on a point of Law or because of misconduct by the arbitrator lies in the High Court. Any legal point arising from proceedings of the Agricultural Land Tribunal is referred to the High Court upon the application of either party.

III.B.(d). Rent determination arrangements in Scotland

In Scotland rents can be reviewed only every five years (except by agreement) whereas it can be done every three years in England. One feature of the Scottish system, and it has been increasingly criticised, is that while arbitrators are appointed from a list of people suggested by and made up from members of the Scottish Agricultural Arbiters' Association anyone interested may join. Indeed its membership is made up mainly of farmers, many of whom are tenants and most of whom have no professional qualifications.

Security of tenure to a tenant's relatives has existed in Scotland much longer than in England and it is argued that the incentive to let is now so reduced that no new open market lettings are made except on a partnership basis which avoids giving security of tenure. In addition to any disincentive to purchase, which would-be institutional landlords might feel on that score, it seems also that much of the land in Scotland is not of the type to interest the institutional buyer so that the large institutional landlord is not replacing the disappearing private one.

Crofting tenure (Scotland)

Crofting tenure is an important feature of land tenure in the Highland Counties of Scotland (Argyll, Inverness, Ross & Cromarty, Sutherland, Caithness and Orkney & Shetland). It was introduced by a series of Crofting Acts between 1886 and 1908 to assist tenants of small holdings in those counties. Although

crofters had to pay a rent to the landlord and had to abide by the kind of conditions found in a lease, they were not tenants in the normal sense in that they and their heirs had a permanent right to the agricultural use of their holdings and in ordinary circumstances this right could not be alienated from the family. Although the rent could be revised by agreement, either party had a right to ask the Land Court to fix a 'fair rent' for the holding, revisable every seven years, and this still applies. The rent so fixed is the rent for the land in its unimproved state and, when it is remembered that the crofter usually carried out all the improvements - often starting off with bare hill land - it will be understood why the rents are usually very low and a substantial part of such rents will relate to the share in the common grazing.

Under the Crofters (Scotland) Act of 1955 the Crofters Commission, answerable to the Secretary of State for Scotland, was set up to:

(i) re-organise, develop and regulate crofting,
(ii) promote the interests of crofters, and
(iii) keep under review matters relating to crofting.

Since then the Crofting Reform (Scotland) Act has given the crofter an absolute right to purchase the enclosed croft land (but not his rights in the common grazing) at a price of fifteen years purchase of the revised rent (excluding of course the rent attributable to the common grazing). He also has the right to purchase the site of the croft house, including the garden ground. The site has to be valued in its unimproved state (i.e. often as hill ground) without planning consent. The current value is around £5 per site.

The Act gave the crofter the right to a 50 per cent share of any development value in land resumed by the landlord for development purposes.

III.B.(e) Land tenure and legislation in Northern Ireland

Until the latter part of the 19th century practically all agricultural land in Ireland was owned by the proprietors of large estates which were divided into small farms usually held by tenants on a year to year basis with little, if any, security of tenure and no rights of compensation for any improvements they might make. In Northern Ireland however, certain rights and obligations on the part of both landlord and tenant were recognised (the Ulster Custom). They enabled tenants to continue in undisturbed possession as long as they acted properly as tenants and paid their rents and gave landlords the right periodically to impose just and fair increases in rent and to be consulted about any proposal to bring in another tenant in place of the existing one.

A series of Land Purchase Acts were passed between 1870 and 1925 which until 1921 applied to the whole of Ireland, designed to improve the conditions of small farmers. Apart from providing additional protection for tenants they encouraged them to purchase their holdings by providing Government advances of two-

thirds of the purchase price repayable by means of annuities for a period of 35 years, later extended to 73 years. The limit of advances by the Government through the Irish Land Commission was raised to three-quarters and later to the full amount of the purchase price (subject to a one-fifth guaranteed deposit) by Acts of 1881 and 1885. The Act of 1903 as amended in 1909 introduced a system of selling entire estates instead of individual holdings and as an incentive to speed up sales landlords were given a bonus of 12 per cent on the purchase price.

This remained the position until the Northern Ireland Government was established under the Government of Ireland Act 1920 and finally the UK Parliament completed the process by passing the Northern Ireland Land Act of 1925 which provided for the compulsory sale of all tenanted land other than those estates which were not substantially agricultural. The system of land purchase in Northern Ireland established by the Land Purchase Acts was abolished by the Northern Ireland Land Purchase (Winding up) Act 1935, the objectives of the legislation having been achieved. As a result large agricultural estates have practically disappeared, nearly all agricultural land in Northern Ireland is now held by the occupiers in fee simple and the ownership of land transferred under these Acts is registered.

Agricultural tenancies

In addition to the Land Purchase Acts there was also a series of Acts from 1870 to 1896 to clarify the position of agricultural tenants and to give them greater security of tenure. One of these, the Landlord and Tenant (Ireland) Act 1870 legalised the usages of the Ulster Custom and provided limited rights of compensation for disturbance and improvements to an evicted tenant not covered by the Custom. The various Acts still provide for compensation for disturbance and for improvements but at the same time give protection to landlords by providing that eviction for non-payment of rent or breach of certain conditions shall not constitute 'disturbance'. They also declare void any contract which prohibits a tenant from making necessary improvements or which denies the right to claim for compensation for such improvements. However, the law relating to agricultural tenancies is somewhat complex as it applies to present day circumstances. In part this is because of the success of the Land Purchase Acts which have resulted in there being few contemporary examples of case law in this field.

Conacre

A form of land letting which did not come within the terms of the various Acts was where the land was let for temporary convenience, in particular where the use of the land for a short period, normally 11 months, was involved. This form of annual letting of land, which has continued to the present day, is called 'conacre' and was originally a system by which landless labourers took land for growing subsistence crops such as grain and potatoes on a short-term basis. It also enables the landowner to let land without any obligations under the Ulster Custom of Tenant Right. The Land Purchase Acts precluded the

ordinary letting of land but allowed conacre lettings. The system enables elderly owners, widows and others who for various reasons might be unable to farm their own land, to derive an income from it without relinquishing ownership. In more recent times farmers with limited land of their own have increased the scope of their farming by taking land in conacre. This enables modern farm equipment to be used more economically by allowing increases in the scale of individual enterprises. At present about 20 per cent of the area of crops and grassland is let each year in conacre and the table below shows the uses to which it is put. Conacre introduces some flexibility into what would otherwise be a rigid system of land tenure in a region where units of land ownership are relatively small scale in UK terms. It is possible however that the short-term usage of land in this way may at times have discouraged good husbandry.

Table III.B.1

Area of principal crops grown, in total and on conacre land, Northern Ireland June 1977

'000 ha

Crop	Total area	Area and proportion on conacre land
Oats	6.3	1.9 (31%)
Barley	52.3	14.7 (28%)
Potatoes	18.8	9.2 (49%)
Grass (mowing)	254.7	32.5 (13%)
Grazing	500.2	112.6 (23%)
Other crops	8.1	0.9 (11%)
Total crops and grass	840.4	171.9 (20%)
Rough grazing	199.7	27.3 (14%)

Source: Whatmough, Department of Agriculture, Northern Ireland, Private correspondence.

III.B. (f) Legal warning

Every attempt has been made to achieve legal accuracy in this summary of complex and lengthy legislation which has been the subject of a continually widening case law for 30 years. Inevitably there have had to be omissions; a full understanding of the Law can only be achieved by a study of the Acts, the Statutory Instruments, Law Reports and the standard text books. In any event any changes in legislation or case law settled after August 1978 will not be covered in this paper.

The Acts and Regulations relating to Landlord and Tenant Law

The Acts:

(a) Agriculture Act 1947 (Sections 10 and 11)

Rules of good husbandry and good estate management.

(b) Agricultural Holdings Act 1948 (the whole Act)

The basic provisions between landlord and tenant.

(c) Agriculture Act 1958 (Sections 2 and 5)

New definition of rent for reviews; the setting up of Agricultural Land Tribunals.

(d) Agriculture (Miscellaneous Provisions) Act 1963 (Section 19)

Arbitration on Notice to Remedy requiring work to be done at time of service.

(e) Agriculture Act 1967 (Section 40)

Definition of commercial unit - important in the Succession Rules.

(f) Agriculture (Miscellaneous Provisions) Act 1968 (Sections 9-16)

Increased compensation for tenant's dispossessed for non-agricultural purposes.

(g) Agriculture (Miscellaneous Provisions) Act 1972 (Section 15)

Gave power to the County Court to set aside an arbitrator's award where it contains an obvious error of law.

(h) Agriculture (Miscellaneous Provisions) Act 1976 (Sections 11-14; part II)

Greater protection for tenant on notice to remedy rules; succession rules.

(i) Agricultural Holdings (Notices to Quit) Act (the whole Act)

A consolidating Act but it does not include the Succession Rules.

<u>The Regulations</u> (A selection only):

(a) The Agriculture (Maintenance, Repair and Insurance of Fixed Equipment) Regulations 1973 (S.I. 1973 No.1473).

(b) The Agriculture (Calculation of Value for Compensation) Regulations 1978 (S.I. 1978 No.809).

(c) The Agricultural Land Tribunals (Succession to Agricultural Tenancies) Order (S.I. 1976 No. 2183).

(d) The Agricultural Land Tribunals (Rules) Order 1978 (S.I. 1978 No. 259).

III.C. Farm Rents

III.C.(a). Sources of information

The only national scale enquiry into farm rents is carried out by the Land Economics and Valuation Section of the Land Service Division of ADAS, the Advisory Service of MAFF and has existed since 1959. Prior to that date, the CLA,NFU and MAFF had all undertaken independent surveys from which the current Rent Enquiry stems, and they continue actively to support and encourage the Ministry's Enquiry. The Royal Institution of Chartered Surveyors (RICS) has also given its support, and it is the members of that Institution that contribute substantially by completing the detailed enquiry forms.

The only other annual data on farm rents is obtained as part of the FMS whose farm financial data are presented as if all the farmers are debt free tenants. Where a tenancy exists, the actual rent paid is recorded; where a holding is owner-occupied, the farmer is required to provide an imputed rental value. This is simply what he considers a reasonable rent to be for his farm considering the prevailing rental levels in the vicinity at the time.

Although some of the participating University Departments, the University of Reading for example, publish additional Farm Business Data in separate categories for owner-occupied and tenanted holdings, others, such as the University of Cambridge, publish only the standardised data combining actual rents with imputed rental values. Thus the most reliable national data for gross rents of agricultural land in England and Wales for the period 1950 to 1960 (before the Rent Enquiry) is itself by no means satisfactory since it includes imputed rents for owner-occupied holdings. Nonetheless, it is cited in both Ward (1959) & Peters (1966) and is reproduced here in Table III.C.1.

Table III.C.1

Gross rents in England and Wales 1950-1960

	£ per ha	% increase over previous year
1950	3.62	6
1951	3.71	2
1952	3.89	5
1953	4.06	4
1954	4.36	7
1955	4.60	6
1956	4.82	5
1957	4.42	-8
1958	4.60	4
1959	5.09	11
1960	5.44	7

Source: Peters, 1966.

(14)

Table III.C.2

Gross rents in England and Wales 1961-1977

At mid October-	Proportion of all tenanted land incl. in sample %	All farms in sample: Average rent £/ha	All farms in sample: Increase %	Farms with rent change during last year: Propn. with rent change	Farms with rent change during last year: Average new rent £/ha	Increase %
1961	26	6.42	-	-	-	-
1962	30	6.99	8	-	-	-
1963	30	7.66	7	17	3.5	-
1964	29	8.15	6	20	9.51	24
1965	27	8.77	7	20	10.75	26
1966	26	9.39	6	18	11.74	28
1967	26	10.26	7	20	12.23	26
1968	26	10.92	7	23	12.97	25
1969	29	11.79	7	22	14.21	24
1970	27	12.73	6	23	15.10	22
1971	29	14.38	4	24	15.79	17
1972	26	15.12	6	32	17.22	21
1973	30	16.06	4	18	19.05	21
1974	30	18.34	12	45	20.31	26
1975	29	22.12	21	59	24.56	35
1976	31	26.52	18	37	30.71	44
1977	31	32.32	18	37	37.85	49

Source: MAFF, 1978d.

The Ministry statistics from 1961-77 set out in Table III.C.2 show the gross rents for all farms in the sample which covered nearly a third of the rented farmland throughout the period. The average of new rents on farms with a rent change in the last year is also shown. It is only in the last two years that the proportion of farms with a rent change has been about a third of the total as is to be expected when rents can be revised by statutory control only every three years. It was not, it seems, until 1974 that landlords in general felt the fiscal and economic pressure to increase their rents although they would have been entitled to do so some time before.

The work of Denman & Stewart (1959) provides the most extensive data on rents and its possible determinants since the National Farm Survey of 1941-3. Their survey was undertaken in 1957; the preliminary enquiry covered 2.6 million ha, about 28 per cent of the let land in England and Wales at that time, while the detailed survey covered approximately 12 per cent of the national total. The study related farm rent to region, farm type, size, standard of fixed equipment and services, ownership personality and landlord type for the period 1945-57.

The only other recent source of information on farm rents is the ADAS (1976) report of Expenses of Landownership for

1973-4, (which followed an earlier survey in 1969) for which information was obtained from landlords, tenants, and owner-occupiers on annual expenditure incurred in owning land, together with details of rent paid (or estimated rental value) and fixed capital expenditure according to farm and estate size, farming type and region, and type of owner. Although the study was not primarily concerned with analysing rental variation, it does provide some useful information covering $1\frac{1}{4}$ per cent of the wholly tenanted area of England and Wales.

The Farmland Market produces a helpful summary of the Ministry Statistics in a section entitled Facts on Rents, but contains no additional material.

III.C.(b). Determinants of rental variation

It requires time-series and cross-sectional analysis to see clearly what determines the variation in rent in any one year. The effect of the rent revision legislation is more fully considered below, but, because agricultural rents may be revised only every three years, and some landlords have in practice left revision for longer periods in the past, to analyse rents in one year the circumstances prevailing in each of the previous years when current rents were last revised must be considered.

Time

Harvey (1973) estimated the determinants of rent for the period 1948-9 to 1969-70 in terms of the average rental figures for England and Wales. His conclusions were that rent movements were related directly to the value of output of agriculture and inversely to the cost of agricultural inputs and the supply of services from land, measured in terms of the area of crops and grass in cultivation in any one year. They were closely related to the rent level in the previous year. These variables were able to explain over 99 per cent of the variation in the observed rent index over the period. Harvey admits to the obvious identity and bias of including the lagged endogenous variable of rent and also to the problems of evident multi-collinearity (close inter-relationship) of the exogenous variables. He concluded that, the overall level of rents was determined by the costs, returns and scale of farming. The inverse relationship of rent with cost of inputs was the most statistically significant and confirms the classic theory of rent as a residue after deduction of costs of production. The rent revision legislation played a distinct part in slowing adjustment.

Harvey had to make many simplifying assumptions. He was analysing average figures and ignored, for example, variations caused by the amount of fixed capital provided over time with the land let. Fortunately the introduction of the Farm Improvement Scheme almost coincided with the change in the rent revision legislation in 1958 for which he included a dummy variable. The landlord's willingness to increase investment in farm buildings because of a capital grant and the consequent right to increased rent which Harvey had ignored therefore

coincided with a step towards a more market orientated method of statutory rental revision, an adjustment he had taken into account.

To show how rental determinants have changed, the differences in rent that were caused by the characteristics Denman & Stewart (1959) considered, are compared as far as the data available allows with the latest MAFF (1978d) Enquiry's results for 1977. Denman & Stewart found the average rent in their 1957 Survey to be £4.79 per ha slightly above the FMS figure in Table III.C.1. The variation around £4.79 for 1957 is to be compared with the variation around the 1977 average of £32.32 per ha.

County and Farming Type

Regional differences in farm rents embrace variations due to differences of climate, topography, quality of soil, and farming type. Unfortunately the regional divisions of counties often include variation within their boundaries, as great as those between some neighbouring counties. Nonetheless they are the smallest defined regions for which comparable data are available.

Cheshire had the highest rents of any county in 1957, at £7.88 per ha which was 164 per cent of the national average. It had also been at the top of the Table in the 1942 Survey when it stood at 190 per cent of the average rent in that year. But, by 1977 Cambridgeshire had the highest rental level outside the Greater London area with a level 148 per cent of the 1977 national average, followed by Lincolnshire with 142 per cent of the average. The essentially arable nature of these two counties reflects the changing profitability of arable compared with livestock farming over the 20 year period. In 1957 Somerset came after Cheshire with a rental level of 138 per cent of average, both being predominantly dairying and livestock counties. The effect of specialised farming types in 1957 was demonstrated by market gardening, mainly pigs, and mainly dairying holdings having 182 per cent, 137 per cent and 132 per cent respectively of average rents. No recent information is available for direct comparison.

At the other end of the land quality spectrum, MAFF now publish figures showing the proportions of counties that come within Less Favoured Areas (LFA). These are essentially upland and other marginal farmland areas and accounted for 60 per cent of Gwynedd, the county with the lowest rent in the 1977 Enquiry, where the average rent was a mere 34 per cent of the national average. Merioneth, a part of the new county of Gwynedd, had the lowest rental level in 1957, only 25 per cent of the average in that year. Inter-county variations around the average rent have become smaller in the 20 year period.

Farm size

Denman & Stewart found that average rent per ha in 1957 fell consistently as farm size increased. This remained true even when an appropriate adjustment was made for the large

Table III.C.3

Rental variation between farm size groups England and Wales 1957 & 1977

1957 Percentage of average rent for England and Wales (£4.69 per ha) by size of farm in certain areas

Farm size group (Ha)	All farm types %	Heavy arable %	Light arable %	Mainly dairying %
6 - 20	138	124	126	165
21 - 40	119	113	113	140
41 - 60	112	113	108	133
61 - 121	108	121	110	125
122 - 202	96	115	108	105
203 +	62	114	93	85

1977 Percentage of average rent for England and Wales (£32.32 per ha) by size of farm in certain areas

Farm size group (Ha)	All England & Wales %	All England %	Cambridge-shire %	Hereford & Worcester %
Less than 10	145	153	198	119
10.0 - 19.9	98	106	133	109
20.0 - 29.9	98	105	157	104
30.0 - 39.9	95	102	149	98
40.0 - 49.9	91	98	145	92
50.0 - 99.9	94	100	148	92
100.0 - 199.9	103	108	148	105
200.0 - 299.9	109	114	145	108
300.0 +	88	94	137	145

Sources: Denman & Stewart, 1959.
MAFF, 1978d.

area of rough grazing in the larger size groups. Analysis of variance confirmed this view; farm size was a significant factor in determining rent level, although relatively less significant than farming type when the two were considered together. The inverse ratio between farm size and rent per ha did not hold good for all farming types. In particular, heavy and light arable and mixed farming types had higher rents for some larger size groups than smaller ones.

However, as the figures in Table III.C.3 reveal, no clear inverse relationship was found between farm size and rent in 1977. The highest rent was paid for holdings below 10 ha where the high value of fixed capital and farmhouse must have a large effect per ha. Thereafter the rents fell and then rose to a peak in the 200-299 ha size group for the national data but, this point varied from county to county, as the examples illustrate.

Estate Size

The 1957 survey demonstrated a clear tendency for farm rents to move in an opposite direction to estate size, even after allowing for the large proportion of rough grazings in the largest estates. Denman & Stewart had enough information to prove that this inverse relationship was not due to different farming types and could refute the supposition that capital extensive farming types predominate on large estates. Only in the very largest estates of over 4000 ha did the percentage of upland increase markedly.

The Ministry Enquiry is now carried out on a holdings basis, the last enquiry on an estate basis was 1971. Table III.C.4 shows the most recent comparable data for 1973-4 from the report on the expenses of landownership (ADAS,1976).

An inverse relationship still holds, with the rather curious exception of the smallest estates below 200 ha.

Table III.C.4

Average rent per ha by estate size. England and Wales 1973-4

Estate size (ha)	Gross rent (Average £ per ha)
0 - 201	12.70
202 - 404	18.24
405 - 2023	15.81
2024 - 4046	14.75
4047 +	11.19

Source: ADAS, 1976.

Ownership Type

Table III.C.5 shows that landlord type had a significant influence on the level of farm rents in 1957. The high quality of charities' and local authorities' landholdings is especially marked when the figures are adjusted to allow for the areas of rough grazing they contain.

Table III.C.5

Rent by ownership type. England and Wales 1957

Percentage of national average rent 1957 (£1.90 per ha)

Ownership Personality	Unadjusted	Adjusted for rough grazing
Charity	123%	125%
Local Authority	112%	136%
Company	106%	113%
Trust	102%	109%
Real persons	98%	104%
Government Department	86%	86%

Source: Denman & Stewart, 1959.

Estate size goes some way towards explaining the high level of charity estate rents as 63 per cent of their estates were in the smallest size group (under 404 ha). However, rents were higher on the charity estates over 2500 ha, against the general rule.

The 1973 Survey, ADAS (1976), divided ownership into only the three types shown in Table III.C.6. Most of the sample is in one category.

Table III.C.6

Rent by estate type. England and Wales 1973

	Percentage of Average of 1973 Survey (£14.85/ha)	No.in Sample	Average Estate Size
Special Estates	94%	8	40,216 ha
County Councils	139%	11	4,247 ha
Other Estates	100%	161	1,165 ha

Source: ADAS, 1976.

The Special Estates comprise large landholdings of public and semi-public landowners such as the National Trust and the Church Commissioners. County Council rents are high because their estates comprise mostly of smallholdings.

III.C.(c) Provision of fixed capital

The only time a landlord can obtain an increase of rent within three years of the previous revision is when he provides additional fixed capital, in which case he is entitled by statute to charge interest on the necessary capital expended. This is normally merged into the full rental figure at the next rent revision. Hence, a direct relationship between the provision

of fixed capital and farm rents is to be expected. Denman & Stewart considered the variation in rent in 1957 according to what provision of basic facilities, like farmhouse, cottages, farm-buildings and services, were made. Analysis of variance showed that the provision of buildings and electricity combined had a significant effect on rent per ha. It was a time when electrification of holdings was far from complete; only 62% of holdings with farmhouse and buildings had electricity. Table III.C.7 shows how holdings with a rent change and a landlord's improvement in the year 1976-7 had a consistently higher rent than holdings with a rent change alone. But no information is available on how much capital expenditure the improvement represented.

Table III.C.7

Average rents of farms with a landlord's improvement and a rent change by area size groups. England and Wales 1976-7

Area Size Group (Ha)	Farms with rent change in 1976-7 Rent 1977(£ per ha)	Farms with a rent change and a landlord's improvement in 1976-7 Rent 1977(£ per ha)
Less than 10	63.76	79.93
10.0 - 19.9	40.45	46.67
20.0 - 29.9	39.89	41.05
30.0 - 39.9	39.09	39.51
40.0 - 49.9	37.14	40.24
50.0 - 99.9	37.48	41.12
100.0 - 199.9	41.55	43.16
200.0 - 299.9	44.27	41.87
300.0 +	31.28	38.30

Source: MAFF, 1978.

Table III.C.8 is taken from the ADAS 1976 survey and shows that the proportions of the 1973 level of gross rent spent on improvements over the three years 1971-2-3 varied relatively little across the size groups except for the 203 to 404 ha size group.

The proportion of rent left after deducting costs of estate management and maintenance was markedly lower for the larger size groups and suggests that, although expenditure on buildings was related to rent, the cost of maintaining the estate was not.

The relationship between rent and fixed capital provision has been changing over time. There is an increasing tendency for farm buildings to be provided by tenant farmers rather than landlords. The ADAS (1976) Survey found that, on average, tenants were spending more on improvements net of grant (£7.04 per ha) than landlords (£5.68 per ha) for the three years 1971-2-3. But Forse (1977) points out that this hides a transition in landlord behaviour. Landlords in some parts of the

country seemed to place less pressure on increasing rents. These were invariably the same landlords who continued to provide the tenant with farm buildings. Thus, in Northumberland in 1974, he found that the holdings with the lowest rents had landlords who still provided the most fixed capital whereas others, who had been forced to raise their rents by personal circumstances, were also less willing and able to provide fixed capital; often pressure of taxation was an over-riding consideration. The overall result was that rent was directly, and perhaps unexpectedly, related to the amount of fixed capital provided by the tenant. In Hampshire, in marked contrast and with fewer traditional landlords, rent was inversely related to the amount of fixed capital provided by the tenant. The era of low rents and large contributions to improvements by the landlord has passed, it would seem.

Tenant's liability for repairs

The 1957 Cambridge Survey found that variation around the statutory standard tenant's repair and maintenance obligations did not in general influence the amount of rent paid. Adjustments for farming type showed only a slight variation. Table III.C.9 compares this result with those of the ADAS (1976) expenses enquiry which suggest that the tenant who had a greater than standard liability to carry out repairs also paid a higher rent.

Table III.C.8

Proportion of rent spent on improvements and other expenses. England and Wales 1973-4

Estate size group (ha)	A) Gross Rent 1973 £ per ha	B) Net rent[1] 1973 £ per ha	C) Expend.[2] on buildings Av.71/73 £ per ha	C% of A	B% of A
0 - 202	12.70	8.94	2.89	23%	70%
203 - 404	18.24	12.75	6.00	32%	70%
405 - 2023	15.81	7.80	3.83	24%	49%
2024 - 4047	14.75	8.15	3.56	24%	55%
4048 +	11.19	6.08	2.40	21%	54%

1 after deductions for statutory charges, maintenance, management and insurance.

2 net of grant.

Source: ADAS, 1976.

Table III.C.9

Rent, liability for repairs and farming type England and Wales 1957 and 1973-4

Tenant's repair obligations (Standard = SI 184 1948)	Unadjusted Rent £/ha	Adjusted[1] Rent £/ha	Dairy-ing	Crop-ping	Types E & W
	1957			1973-4	
Greater than Standard	4.60	5.19	8.75	19.97	15.37
Standard	4.69	5.29	15.54	17.42	14.55
Less than Standard	4.69	5.14	[2]	[2]	13.24

[1] adjusted for rough grazing

[2] insufficient data available.

Sources: Denman & Stewart, 1959.
ADAS, 1976.

The figures should be treated with caution. The whole estates surveyed in 1973-4 have lower average rents than those samples of holdings considered in more detail. There are insufficient observations to consider the full effect of farming type but, while the tenant with a greater than statutory liability for repairs on a dairy holding clearly pays less rent than one with only a statutory liability that is just the reverse of the situation on the cropping estates surveyed.

Rental variation within an estate

Forse (1977) carried out a study of the causes of rental variation within an estate, and found that the amount the landlord spent directly on improving farm buildings, together with the date the rent was last revised, were the major determinants of differences in rents in 1976. Variation in land quality, size of holding and the amount spent on farmhouse and cottage improvements as well as total repairs per holding were not closely related to differences in rent. This is in large part due to the established estate management practice of keeping rents in line; 18 out of 29 holdings had rents in the £29.6 - £34.6 per ha bracket. As rents are forced upwards in line with the specific productive capacity of holdings this practice can be expected to cease.

III.C.(d) Analysis of rental revision

Table III.C.10 sets out the details of new rents provided by the last ten years of the Ministry Enquiry. The Table is divided into new lettings and existing lettings with rent increases.

Comparison of the average new rents per ha for holdings relet by tender and for holdings with rent increases settled by arbitration shows that open tender rents rose to 190 per cent of arbitration rents by 1975 and fell to 130 per cent in 1977. However, not many rents are determined by arbitration so that the distribution of farming type must have a marked effect in years like 1971, for example, when only 17 observations were recorded of rents revised by arbitration and an average of £5.75 per ha was determined. It is not known whether this included mostly upland livestock holdings, but if it did then their effect would be far greater than any difference caused by the mode of rental determination. Rents settled by agreement on existing tenancies were higher than open tender rents for new lettings for the three years 1969-71, but tender rents have been markedly higher since - an average of 184 per cent over the last three years.

Denman & Stewart (1959) had sufficient information to take account of farm type and size distribution in analysing rent determination procedures. They concluded that open market rents were on average 13.5 per cent higher than sitting tenant rents awarded by arbitrators and independent valuers in 1957 while rents negotiated with sitting tenants were just 3 per cent higher than rents awarded by arbitration. This was before the level of rent at arbitration was linked to the open market by the 1958 Act. Surprisingly it is only in the last two years that arbitrated rents have moved away from agreed rents to reflect the dramatic rise in tender rents that occurred in 1975.

Table III.C.10 should be treated with caution because it shows only the data from voluntary co-operators. But, if its one-third coverage is representative, then only about 150 farms were let by tender in 1977. The effect of this restriction of supply of tenanted land has been said to be the cause of high open tender rents. This view is counter to the evidence that the number of holdings to let recorded by the Enquiry have not been reduced much over the ten year period. Moreover, although the reduction in area to let by tender between 1971 and 1972 occurred at the same time as a massive increase in rent, this was not so when rents increased between 1974 and 1975. The recent rise in rents probably reflects the effect of inflation and the increased profitability of farming and optimism for its future.

III.D. Tenancy and its problems

Given his virtually complete security of tenure, rights to compensation and freedom to manage his farm as he sees best the main restriction on management which a tenant faces simply because he is tenant (setting aside the fact that he does not face the problems of, nor gain the benefits from, owning the

Table III.C.10

Rental determination procedures and level of rent per ha. England and Wales 1968-77

Year	No.of holdings	Total area M.ha	NEW LETTINGS							
			Holdings relet by Tender				Holdings relet by Agreement			
			No	Area ha	New Rent per ha	Incr. %	No	Area ha	New Rent per ha	Incr. %
1968	19085	1.4	66	6350	16.56	104	403	29000	13.59	37
1969	19420	1.4	56	6600	13.47	88	429	34300	15.32	37
1970	19468	1.5	78	8150	14.18	75	471	38100	15.55	29
1971	27056	1.5	63	8550	13.94	48	623	35550	16.73	31
1972	24878	1.3	60	4900	23.40	82	531	26000	19.30	31
1973	26856	1.5	45	4300	27.26	104	417	24950	19.25	30
1974	25996	1.5	65	5050	26.27	83	565	39800	22.24	40
1975	25813	1.5	59	4550	49.84	140	476	27900	28.22	61
1976	26844	1.6	51	2050	54.17	166	481	17850	36.18	57
1977	26681	1.5	46	3500	68.17	130	441	25150	41.92	62

Year	No.of holdings	Total area M.ha	EXISTING LETTINGS							
			Holdings with rent Increases							
			By Arbitration				By Agreement			
			No	Area ha	New Rent per ha	Incr. %	No	Area ha	New Rent per ha	Incr. %
1968	19085	1.4	22	1900	13.96	42	3901	322200	12.85	22
1969	19420	1.4	23	2100	16.30	70	3871	324150	14.21	21
1970	19468	1.5	24	2600	7.86	42	3985	340300	15.12	20
1971	27056	1.5	17	2750	5.45	24	5831	379950	15.94	14
1972	24878	1.3	44	4000	18.90	25	7294	389650	17.15	16
1973	26856	1.5	16	900	23.52	37	4316	324900	19.25	16
1974	25996	1.5	31	1650	19.99	37	11031	700900	20.58	24
1975	25813	1.5	65	6200	26.09	50	14572	872800	26.09	33
1976	26844	1.6	44	1650	38.87	77	9353	402200	30.44	42
1977	26681	1.5	20	1500	52.45	73	9488	588250	37.51	48

Source: MAFF, 1978d.

land he farms) is the need to obtain at least the consent of, and probably the financial participation of, his landlord when investment in buildings is required. It by no means follows that the outcome of such negotiations must always be to the disadvantage of the tenant relative to the choice he would have made as an owner-occupier; the landlord's estate management expertise and his longer-term view point can be advantageous. Moreover at its best the landlord-tenant system in the UK involved whole career and generation to generation adjustments of landholdings which owner-occupation could match only under extremely good marketing arrangements for land, such as do not apply today in a highly inflationary economy.

Nevertheless, there must always be potentially conflicting viewpoints and aims when two people, landlord and tenant, are involved in the management of a single commodity, in this case farmland. Moreover, while it is self evident that the tenant can not obtain more from the landlord than the latter has to offer so that he must be to some extent dependent on the resources the landlord possesses and on the size of estate of which his particular farm forms part, it is almost as certain that private landlords today have neither the means nor motivation to invest that they had in the past.

Be that as it may, the long history of the law relating to farm landlords and tenants is that the tenant has been increasingly protected while the landlord's powers have been restricted. The two most recent developments, both of crucial importance in the present context, are the refusal to grant landlords the valuation concessions granted to owner-occupiers for capital transfer tax purposes and the introduction of second (and third) generation security of tenure for tenants' families.

It is true that the old landlord class has long been a symbol of wealth and privilege and that it proved remarkedly resilient in the face of almost 100 years of Estate Duty simply because that legislation was capable of being frustrated, by giving away property in good time and by creating trusts. However, not everyone shares the view that wealth in the form of land for renting should be less worthy than land to be farmed directly by the owner. Nor is it clear why special allowance has not been made for the problems of the owners of estates who also have associated stately homes which, it seems, the public wishes to be able to visit and to see properly maintained, lived in and used along with their traditional contents.

It is also true that, over time, landlords have been unwilling to bear the burden placed on them by succeeding generations of legislators. Fewer and fewer farms have been offered for renting and if what is claimed for Scotland is true, and is also translated to England and Wales then the private landlord can be expected to cease to function completely. In that case the gains bestowed on the present generation of tenants can only be borne as costs to all future generations of would-be tenants.

These problems will be resolved to the extent that institutional landlords replace private ones or are better than

them. It is also worthy of note that, far from the penalising of landlords being based to some degree on any lower efficiency displayed by tenants, such evidence as there is supports the opposite case. Moreover, tenants (and their landlords) have not, it seems, over-invested in buildings in the way that owner-occupiers have.

One of the ways in which landlords are endeavouring to protect their interests in the face of recent legislation is to seek partnerships with tenants and/or to offer less than annual tenancies only. These latter are outside the Agricultural Holdings Acts and consequently farmers accepting them do not enjoy the privileges of those Acts except insofar as their landlords grant them of their own volition. A further result to be expected of the present legislation is that landlords will become less willing to grant single unit (new tenancy) lettings than to let to existing owner-occupiers or to tenants already on viable farm units. In such a fluid and complex situation it will behove the tenant to obtain good legal advice - and to pay the fee such advice commands. In any case both landlord and tenant seem likely under such arrangements to invest for the shorter-term only, presumably, at a lower overall rate than would have been the case had planning horizons not been artificially shortened in the way they have.

IV. AGGREGATE LAND USE PATTERNS IN ENGLAND AND WALES AND THE RESOLUTION OF CONFLICTS OVER COMPETITION FOR LAND

IV.A. Statistics on land use, quality and the rate of transfer of land out of agriculture

IV.A.(a) Land use

Figures compiled for the 31 March 1977 by the Ordnance Survey, show that the total area of England and Wales was 15,121,000 ha or 15,037,000 ha excluding inland water. Of this latter figure, 12,972,000 ha were in England and 2,064,000 ha in Wales (HMSO,1978). It will become increasingly clear in this section that British data on land use matters are limited in both quality and quantity. Indeed, for some land uses, notably those that fall into the category often described as 'urban', there is no overall official provision at all at present. However, an estimate of land uses for 1976 made by the Agriculture EDC (1977) of the National Economic Development Office can for convenience be regarded as the most recent official figures and Table IV.A.1 presents their estimate. It will be seen that agriculture still takes up 77 per cent of the total land area of England and Wales and 86 per cent of non-urban land. In Wales, both forestry and agriculture are relatively more important in terms of area than in England.

Table IV.A.2 shows a detailed breakdown of the agricultural land uses in England and Wales in 1975-7. Most noticeable perhaps is the overall increase in the area of 'Crops and Fallow' by nearly 17,000 ha, with the area of Cereals and Potatoes increasing by 1.2 and 9.1 per cent respectively. The largest fall in area in this category was one of 48.4 per cent in Bare Fallow.

Table IV.A.1

An estimate of land uses in England and Wales, 1976

Land uses	England '000 ha	%	Wales '000 ha	%	Total '000 ha	%
Crops and fallow	4021	31.0	107	5.2	4128	27.5
Temporary grass	1201	9.3	172	8.3	1373	9.1
Permanent grass	3240	25.0	775	37.5	4015	26.7
Rough grazing	1194	9.2	599	29.0	1793	11.9
Other land[1]	238	1.8	33	1.6	271	1.8
Total agriculture	9894	76.3	1686	81.7	11580	77.0
Urban	1427	11.0	103	5.0	1530	10.2
Forestry & Woodland	767	5.9	204	9.9	971	6.5
Miscellaneous	885	6.8	71	3.4	956	6.4
TOTAL LAND[2]	12973	100.0	2064	100.0	15037	100.0

[1] Includes 'woodland ancillary to farming'.
[2] Not all figures add due to rounding.

Source: Agriculture EDC, 1977.

The source for Tables IV.A.2 and IV.A.3 and for the agricultural part of Table IV.A.1 is the annual June agricultural census, the results of which are published early in the following year. Census returns forms are sent to occupiers of all agricultural holdings with an annual labour requirement of 40 or more smds. Forms are sent only to holdings of less than 4.05 ha if they have a significant agricultural output. Completion and return of the forms is a statutory requirement. During the last 10 years there have been several changes in the threshold of significance for inclusion in the census as well as in the definitions of the various categories of land use covered by it. Such changes, together with recent metrication, have inevitably impaired the accuracy and usefulness of the census returns. Particular categories of land use recorded in the returns which must be regarded with caution are 'grass', 'rough grazings', 'woodland ancillary to farming', and 'other land used for agriculture'. Since the figures for total agricultural area are an amalgamation of the other categories of land use, they too should be regarded with caution.

Table IV.A.3 shows agricultural land uses for each of the MAFF regions in 1977. Striking variations can be observed; notably, regions to the North and West of the Humber-Exe line have a far greater proportion of grass and rough grazing than those to the South and East. This difference is due to topographic and climatic factors. In the Eastern Region cereals take up 55 per cent of the agricultural area; by contrast, Wales has only 5 per cent of its area under cereals and 35 per cent as rough grazings.

Because there is no official definitive record of the urban area of England and Wales much effort has been directed in the last 40 years towards establishing a generally agreed figure setting out the various categories of urban land use. Foremost amongst those working in the field has been R.H.Best of Wye College.

Best (1976a & b) describes how he calculated the areas and land uses of most of the urban area of the country using the development plans of local planning authorities. The remaining urban area was calculated by a method that used the 'density-size rule'. This rule states that as the size of a settlement increases in population terms, the provision of land declines exponentially (Best et al.,1974). The area of transport land was estimated by multiplying representative widths by the lengths of the various types of roads and railways and used Blake's (1969) figures for civil airfields. In this way Best was able to establish a base-line urban land area figure for 1961 of 1,490,000 ha in England and Wales; it includes 137,000 ha for villages, isolated dwelling and farmsteads and 257,000 ha for transport land (Best, 1976a). These figures are very similar to those calculated by Champion (1975) using the density method and to those of Fordham (1974) who used a point sampling technique. For 1961, Best (1976a) estimated that 49 per cent of all urban land was used for housing, 5 per cent for industry, 12 per cent for open space and 3 per cent for education. Residual uses including transport land made up the remaining 31 per cent of the urban area. Best's 1961 base-line figure can be updated, using the annual urban area net gain figures provided by the MAFF in

Agricultural Statistics. However, as will be seen presently, the accuracy of those statistics is questionable. Since Best was on the group that prepared the Agriculture EDC (1977) report, it can be presumed that this is the way their urban land estimate of 1,530,000 ha in 1976 for England and Wales (shown in Table IV.A.1) was prepared.

Table IV.A.2

Agricultural land use in England and Wales, 1975-1977 (ha)

Land Use	1975	1976	1977
Cereals	3,128,532	3,155,468	3,165,219
Potatoes	162,084	173,738	176,854
Sugar Beet	197,533	206,319	202,394
Horticulture	267,485	272,757	284,752
Fodder crops	221,457	216,740	205,573
Other crops[1]	53,973	64,352	73,735
Bare fallow	125,332	60,840	64,621
TOTAL CROPS & FALLOW	4,156,396	4,150,214	4,175,148
Temporary grass[2]	1,326,168	1,369,089	1,362,729
Permanent grass[3]	4,055,833	4,032,914	3,952,376
TOTAL GRASS	5,382,001	5,402,003	5,315,105
Sole right grazings	1,220,026	1,185,667	1,169,376
Common rough grazings[4]	608,737	608,737	608,737
TOTAL ROUGH GRAZING	1,828,763	1,794,404	1,778,113
Woodland ancillary to farming	155,452	167,816	176,802
Other land used for agric.	96,076	106,731	133,704
TOTAL OTHER LAND	251,528	274,547	310,506
TOTAL AGRICULTURAL AREA	11,618,688	11,621,168	11,576,872

1 Hops, rape grown for oilseed, and other crops, not for stockfeeding.
2 Lucerne and all grasses under five years old.
3 All grasses five years old and over.
4 Latest figures available are 1975 ones estimated by MAFF.

Sources: MAFF, 1976a, 1977 c & d and 1978d.

Table IV.A.3

Agricultural land use in England and Wales in 1977, by MAFF region (ha)

MAFF Region / Land Use	Eastern Region	South-Eastern Region	East Midland Region	West Midland Region	South Western Region
Cereals	821,300	459,232	542,725	294,520	370,664
Potatoes	44,552	14,453	37,357	23,725	10,645
Sugar beet	110,731	252	46,467	18,217	631
Horticulture	102,828	48,850	59,234	21,439	13,038
Fodder Crops	47,019	28,839	18,446	18,546	39,949
Other crops[1]	22,534	15,760	18,384	5,320	3,892
Bare fallow	13,891	13,666	8,951	5,916	8,394
TOTAL CROPS & FALLOW	1,162 855	581,052	731,562	387,682	447,213
Temporary grass[2]	81,605	204,915	125,392	188,622	347,021
Permanent grass[3]	167,881	374,136	331,611	523,942	894,715
TOTAL GRASS	249,486	579,051	457,002	712,565	1,241,735
Sole rights grazing	28,002	32,831	42,744	29,466	112,301
Common rough grazings[4]	3,935	34,073	11,394	9,139	85,063
TOTAL ROUGH GRAZING	31,937	66,904	54,138	38,605	197,364
Woodland ancillary to farming	22,667	45,707	8,845	15,808	34,224
Other land used for agriculture	27,870	22,460	12,810	13,318	21,561
TOTAL OTHER LAND	50,537	68,167	21,655	29,126	55,785
TOTAL AGRIC.AREA[5]	1,494,815	1,295,174	1,264,357	1,167,978	1,942,097

MAFF Region / Land Use	Northern Region	Yorks/Lancs Region	Wales	England & Wales
Cereals	272,352	326,718	77,709	3,165,219
Potatoes	13,488	25,776	6,859	176,854
Sugar beet	6,112	19,762	222	202,394
Horticulture	2,111	35,511	1,741	284,752
Fodder crops	23,574	10,996	18,212	205,573
Other crops[1]	1,701	5,596	547	73,735
Bare fallow	3,544	6,452	3,808	64,621
TOTAL CROPS & FALLOW	322,872	430,812	109,099	4,173,148
Temporary grass[2]	164,721	80,589	169,865	1,362,729
Permanent grass[3]	525,258	358,501	776,332	3,952,376
TOTAL GRASS	689,979	439,089	946,197	5,315,105
Sole rights grazings	387,895	130,599	405,539	1,169,376
Common rough grazings[4]	207,910	76,372	180,854	608,737
TOTAL ROUGH GRAZING	595,805	206,971	586,393	1,778,113
Woodland ancillary to farming	15,686	7,697	26,168	176,802
Other land used for agriculture	11,420	10,003	14,262	133,704
TOTAL OTHER LAND	27,106	17,700	40,430	310,506
TOTAL AGRICULTURAL AREA[5]	1,635,762	1,094,572	1,682,119	11,576,872

1 Hops, rape grown for oilseed, and other crops, not for stockfeeding.
2 Lucerne and all grasses under 5 years old.
3 All grasses 5 years old and over.
4 Latest figures available are 1975 ones estimated by MAFF; N.Yorks figures apportioned equally between Northern Region and Yorks/Lancs region.
5 Not all figures add due to rounding.

Sources: MAFF, 1977d & 1978d.

Whilst detailed figures of some non-agricultural land uses are available e.g. there are almost 60,000 ha of derelict land in England and Wales (Countryside Review Committee, 1978) the main defects of English and Welsh land use data are its scarcity and lack of detail. These defects are to some extent modified by the Second Land Utilisation Survey, carried out in the 1960s, by Coleman (1977). It covered the whole of England and Wales and is available in manuscript form at the scale of six inches to the mile. The 15 per cent of the maps which have been published at the two and a half inches to the mile scale, show 70 types of land use and the manuscript maps show about 250 types. However, the maps are out of date and concern has also been expressed at the fact that they were surveyed by volunteers, often schoolchildren. An interesting feature of the Survey's work is its delineation of five main land use patterns - townscape, farmscape, urban fringe, marginal fringe and wildscape. Coleman (1977) claims that this 'scape and fringe analysis' can be a useful tool for land use planners.

Two recent developments augur well for the future provision of urban land use information. First, planners have been working on the development of information systems with land use data as an integral part. This is highlighted by two reports: General Information System for Planning (DOE,1972) and National Land Use Classification System (DOE,1975) both of which envisage increasing use of computerised systems to collect, store and manipulate data. Second, advances in aerial and satellite surveys now make the recording of land use data possible. For instance, the first results of the DOE's survey of 'developed areas' in England and Wales in 1969 have now been released (DOE, 1978). The survey covers all continuous areas of 'developed land' of five ha and above and the five broad urban uses within them - residential, industrial and commercial, education and community, transport and open space. 'Developed land' was defined to include areas covered by buildings and structures of all materials, the land associated with them and such open spaces as exist, for example, primarily for 'urban use'. The maps were produced by using RAF aerial photographs together with Ordnance Survey maps and the boundaries were digitised so that computerised measurements could be processed and the data prepared for each district and county.

Table IV.A.4 presents a summary of the survey's results showing 'developed areas' and the five main land uses by Economic Planning Region in 1969. Wales with 4.7 per cent had the lowest proportion of 'developed area' whilst the South East and the North West had over four times as much. The proportion of the developed area consisting of predominantly residential use and educational/community/health/indoor recreational use was fairly constant over the Regions at around 60 per cent and 1 per cent respectively. The proportion devoted to industrial and/or commercial use varied widely from 11 per cent in East Anglia to 28.6 per cent in Wales. Transport land provision was fairly constant at around 7 per cent with the exception of East Anglia at 19.4 per cent.

In 1977 there were 1,130,000 ha of woodland in England and Wales. Some 390,000 ha were managed by the Forestry Commission

Table IV.A.4

'Developed Areas' and five main land uses by Economic Planning Region in England and Wales 1969

Economic Planning Region	Total 'developed area' - '000 ha	Total 'developed area' as per cent of administrative area	A	B	C	D	E
			(as proportion of total 'developed area' - %)				
South East	472.60	17.4	63.6	13.3	1.2	5.5	16.5
West Midlands	153.25	11.8	60.4	20.4	0.9	5.0	13.2
North West	159.40	21.8	60.0	18.8	1.0	4.5	15.7
Northern	87.36	5.7	56.1	25.2	1.0	6.6	11.0
Yorks & Humberside	153.01	9.9	54.7	19.3	1.2	8.4	16.4
East Midlands	140.45	9.0	56.8	21.2	0.7	10.8	10.4
East Anglia	85.34	6.8	60.4	11.0	0.8	19.4	8.3
South West	145.87	6.1	68.9	14.2	0.9	7.6	8.4
WALES	87.71	4.2	55.9	28.6	0.8	6.3	8.4
ENGLAND & WALES	1,484.99	9.8	60.8	17.5	1.0	7.2	13.4

A - Predominantly residential use.
B - Predominantly industrial and/or commercial use.
C - Predominantly educational/community/health/indoor recreational use.
D - Transport use.
E - 'Urban' open space.

Source: DOE, 1978.

on behalf of the Minister of Agriculture and the Secretary of State for Wales (Advisory Council, 1978). These figures are greater than those given in Table IV.A.1 but a substantial part of the 'other land' category of that Table is made up of 'woodland ancillary to farming' which is presumably included in the figures above. As at 31 March 1977, there were some 290,000 ha of woodland in private ownership participating (or planning to) in various Forestry Commission management schemes (Forestry Commission, 1978).

Substantial areas of rural land in England and Wales are in multiple use with agriculture often predominating. Examples include defence lands, water-gathering grounds and common land. In 1977 there were some 100,000 ha of defence lands which for most of the year were in agricultural use (HMSO,1978). The ten Regional Water Authorities own over 130,000 ha of gathering grounds though agricultural activities (mainly rough grazing) and some public access take place on this land. Recently criticism of the Water Authorities' management policies for this land has been voiced (Advisory Council, 1978). The Royal Commission on Common Lands (1958) concluded that there were some 609,066 ha

of common land in England and Wales with 79 per cent of this area given over to grazing. Common land is a form of land tenure, for it is freehold land over which various people have rights exercised together or 'in common'. Commons legally open to the public make up only 10.4 per cent of the total but Patmore (1972) asserts that many commons experience de facto access. Hoskins & Stamp (1963) show that 67 per cent of the common land in England was in the seven 'old' counties of Cumberland, Durham, Lancashire, Northumberland, Westmorland, West and North Ridings.

IV.A.(b) Land quality

Two classifications of agricultural land exist in Britain. They differ in their approach and complexity, due to their objectives and the time scale for mapping. Both were intended to provide information for land use planning.

The MAFF started on their Agricultural Land Classification of England and Wales in 1966 and by 1974 had published maps at the scale of 1:63,360. Preparation of a revised metric edition is in progress. The land was graded according to its versatility as determined by physical characteristics alone such as climate, relief and soil. The advantage claimed for this physical classification was that such factors would not date. The five grades vary from 'Grade 1: Land with very minor or no physical limitations to agricultural use. Yields are consistently high on these soils and cropping highly flexible since most crops can be grown including the more exacting horticultural crops'; to 'Grade 5: Land with very severe limitations due to adverse soil, relief or climate, or a combination of these. This land is generally under grass or rough grazing, except for occasional pioneer forage crops'. (MAFF, 1974b).

Table IV.A.5 presents for 1974 the proportions of the agricultural land area of the MAFF regions in each grade. The top two grades account for only some 17 per cent of the agricultural land of England and Wales. Nearly 50 per cent of the agricultural land is Grade 3; the remaining 34 per cent is accounted for by Grades 4 and 5. Within these overall figures there are striking regional variations. For instance, whilst Grades 1 and 2 make up less than 3 per cent of the agricultural area of Wales, in the Eastern Region of England nearly half the area is top quality land. More recent figures showing the area of land by MAFF grade have been provided by the Agriculture EDC (1977). These show that some 1,979,000 ha in England and Wales are Grades 1 and 2, 5,343,000 ha are Grade 3, and 2,572,000 ha are Grades 4 and 5.

As a result of criticisms and in response to demands from users of the MAFF land classification maps, it was announced that steps would be taken to sub-divide Grade 3 into three sub groups (MAFF, 1976b).

Gilg (1978) and the Centre for Agricultural Strategy (1976) have pointed out that a major limitation of the MAFF classification is that its minimum unit of evaluation is 81 ha and thus it is unsuitable for most planning decisions. Boddington (1978) has argued that the MAFF system is not related to the productivity of the land but merely its flexibility, also that, the system is not understood by planners and that, it 'does not form part of

an integrated package including land use, yield and financial data which may be used effectively to produce meaningful inputs for land planning decisions'.

Table IV.A.5

The proportions of the agricultural land areas of the MAFF Regions in each of the MAFF Land Classification Grades, 1974 (per cent)

Region	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Wales	0.2	2.2	17.5	44.1	36.0
West Midlands	1.0	18.8	61.1	15.7	3.4
East Midlands	1.4	21.1	64.7	9.9	2.9
Eastern	10.9	33.4	48.7	6.9	0.1
Yorkshire & Lancashire	3.2	19.7	34.8	21.5	20.8
Northern	0.1	4.6	40.8	18.0	36.5
South West	1.7	8.0	64.2	19.6	6.5
South East	3.4	13.4	62.3	18.9	2.0
ENGLAND & WALES	2.8	14.6	48.9	19.7	14.0

Source: MAFF, 1974b

The Soil Survey of England and Wales also have devised a classification scheme - the Land Use Capability Classification - 'developed to express the influence of soil, site and climate on farming'. (Mackney, 1974). It divides land into seven classes depending on the severity of limitations affecting its use. The classes range from Class 1, which is land with very minor or no physical limitations to use, to Class 7 which is land with very severe limitations that restrict use to rough grazing, forestry and recreation. Grades 1-4 of the MAFF system are equivalent to Classes 1-4 of the Soil Survey System. The seven classes are further subdivided (up to a maximum of two) into sub-classes based on five physical factors which influence production or need correction. These factors are soil, wetness, climate, gradient and erosion. To date, maps showing this system of classification have been published at the scale of 1:25,000 for 15 per cent of England and Wales. However, an overall map showing such a classification for both countries at a scale of 1:1,000,000 is soon to be published (Soil Survey of England and Wales, 1978).

IV.A.(c) Transfer of land from agriculture

In recent years much attention has been paid to the subject of loss of agricultural land and its effect on national agricultural output. For instance, the Centre for Agricultural Strategy (1976), the Agriculture EDC (1977), the Advisory Council (1978) and the North West Economic Planning Council (1978) have all published reports on the subject, and although their objectives, methods and emphasis varied, they all concluded that care must be taken about the amounts of high quality land that are being transferred from agricultural use each year, if national agricultural output is not to suffer.

As the Advisory Council (1978) have observed 'there is at present little reliable information available about the transfer of agricultural land to other uses'. The main official source is provided annually by MAFF in their publication Agricultural Statistics. This information is calculated from, and depends on, the accuracy of the June census returns submitted by occupiers of agricultural land, although this census was not designed primarily for the collection of such information. The most recent information for England and Wales is presented in Table IV.A.6.

Table IV.A.6

Net annual transfer to (+) and from (-) agricultural land in England and Wales, 1967-1975. ('000 ha)

Year[4]	Urban, industrial & recreational development[1]	Government Departments	Forestry and private woodlands	Land not previously recorded[2]	Other adjustments[3]	Total
1967-8	-14.1	+0.2	-4.2		-5.5	-23.6
1968-9	-15.5	-0.5	-6.6		-4.4	-27.0
1969-70	-17.1	+1.5	-5.5		-10.4[5]	-30.2[5]
1970-1	-13.2	-0.4	-5.0			
1971-2	-17.0	+0.2	-4.2		-19.2	-40.2
1972-3	-19.2	0.0	-3.6	+0.3	-10.0	-32.5
1973-4	-12.3	-1.4	-0.9	0.0	- 5.4	-20.0
1974-5	-13.0	+0.4	-1.3	0.0	-17.8	-31.7
8-year average 1967-8 - 1974-5	-15.2	0.0	-3.9	-10.4		-29.4

1 Includes mineral workings.
2 New category in 1973.
3 Includes corrections, re-classifications and unexplained differences which result from a recording system that does not permit a complete area reconciliation in a single year.
4 The figures are based on areas returned by farmers at June each year but, to preserve compatibility with previous years, they are adjusted to discount changes in the coverage of the census since 1967.
5 An annual average for the two years is given as the separate figures for the individual years are not considered to be reliable.

Sources: MAFF, 1974c & 1977d.

The accuracy of this information derived from the 'changes of occupancy' section of the census has never been fully assessed, but the MAFF points out that the 'information (is) obtained in the course of collecting data throughout the year and is by no means exhaustive. Individual annual figures may therefore be

unreliable' (MAFF, 1977d). Moreover the information appears several years after it was collected. Changes in coverage and definition of census categories in recent years also pose problems. The magnitude of the likely inaccuracies becomes apparent when the column entitled 'other adjustments', covering corrections, reclassifications and unexplained differences is examined, for it accounts for a significant net annual loss. The destination of this large amount of unexplained net annual loss of agricultural land is unknown though it is probably for urban uses.

It can be seen from Table IV.A.6 that on average between 1967 and 1975 about 15,000 ha net have been transferred to urban types of use each year (slightly less since 1972/73), and about 4,000 ha net to forestry, though in this time annual total areas for forestry have been falling. When the residual net annual transfers of about 10,000 ha are included, the average figure per year for net transfers of agricultural land in this eight year period amounts to about 30,000 ha for England and Wales, with a range of about 20,000 ha between the largest and smallest annual totals. Regional differences in rates of transfer have been examined by Champion (1975) who found that, over the period 1950-1970, the greatest rates of transfer were experienced by the North West, South East and West Midland Regions.

The above information is derived from Agricultural Statistics, England and Wales. When comparable information in Agricultural Statistics, United Kingdom is examined it becomes apparent that the category entitled 'Other adjustments' (i.e. the area of likely inaccuracy) is mainly confined to England and Wales. This is because the accuracy of Scottish data is under continual assessment during compilation since most changes of occupancy are confirmed with the other party to the change.

Table IV.A.7 presents Forestry Commission information on 'new planting', that is, planting on land previously mainly in agricultural use. This information helps to clarify what amount of land is actually transferred from agricultural use to forestry each year, since the Agricultural Statistics figures probably include a significant amount of land that is bought for afforestation and held in agricultural use before being planted. (This situation is also likely to occur for land that is recorded as being transferred to other categories of future use.)

It is clear that planting decreased considerably between 1972 and 1977, a trend which is most noticeable in the private sector in England. Since Forestry Commission acquisitions of plantable land in England and Wales during this time fell by almost a half due to the high cost of suitable land, the level of planting is likely to fall still further. Private forestry planting was affected by new capital taxation measures which removed many of forestry's tax advantages.

It can be seen in Table IV.A.6 that official statistics group transfers of agricultural land to urban, industrial, recreational and mineral development under the same heading.

Table IV.A.7

New forestry planting in England and Wales, 1972-7 (ha)

Forest year ending 31 March		England	Wales	England and Wales
1972	Private[1]	3766	1409	5175
	FC	2251	1821	4072
	Total	6017	3230	9247
1973	Private[1]	3496	1292	4788
	FC	1735	1469	3204
	Total	5231	2761	7992
1974	Private[1]	2170	1327	3497
	FC	1552	1417	2969
	Total	3722	2744	6466
1975	Private[1]	2033	1234	3267
	FC	1239	1412	2651
	Total	3272	2646	5918
1976	Private[1]	1026	408	1434
	FC	1412	1131	2543
	Total	2438	1539	3977
1977	Private[1]	775	723	1498
	FC	1302	1098	2400
	Total	2077	1821	3898

[1] Areas for which grants were paid in the appropriate financial (not forest) year. Since there is always a time lag between planting and the actual payment of grant, these figures refer to planting carried out on average 18 months earlier (Forestry Commission, 1976b). In addition, there were also very small areas of private planting not included in the above table which did not receive a planting grant from the Forestry Commission. This is important in making comparisons with Table IV.A.6.

Sources: Forestry Commission, 1973, 1974, 1975, 1976a, 1977 and 1978.

In order to examine the differing effects on farming it is necessary to obtain information on rates of transfer to the separate, relatively minor, categories of use. As a result of collecting assorted (mostly unpublished) information from the various industries, trade associations and semi-public bodies concerned, estimates were made of transfers to reservoirs and mineral extraction purposes. Between 1965 and 1976 some 600 ha a year of agricultural land was used for reservoirs in England and Wales. For 1965 to 1974, some 2,200 ha net a year of agricultural land was transferred to mineral extraction purposes, about half of which was for sand and gravel. Thus, about 20 per cent of the official statistics category of transfers to urban development have been made up of transfers to these two groups. (Tranter, 1976).

The Agriculture EDC (1977) commended the joint Department of the Environment and Welsh Office Circular 71/74/114/74 (DOE, 1974) which directed local authorities to instigate an annual land use change monitoring scheme. However, although the scheme was to start on 1 April 1975 it has yet to publish its first statistics. Dickinson & Shaw (1978) have stated that this scheme will have difficulties in providing comparable information as local authorities are unwilling - or unable - to conform with a standard classification system and to agree on a standard unambiguous set of areal units. They further argued that a 'point sampling approach, recording land use only for a series of sample points, seems to meet most of the requirements of a national land use monitoring system' in that it is both efficient and reasonably cheap. Changes can be measured by collecting information for the same set of sample points in successive periods of time.

In order to study what quality of agricultural land is transferred it is necessary to look at the work of Best & Swinnerton (1974). Using the MAFF land classification maps they found no disproportionate loss of good quality agricultural land for the area at present built over. Whereas agriculture accounts for nearly 80 per cent of the total land area, almost 90 per cent of Grade I and just over 85 per cent of Grade II is in agricultural use. However, Swinnerton (1976) pointed out that this overall picture obscured a marked regional difference between the Lowland and Highland Zone for in the latter urban development showed a marked preference for better quality land. Afforestation, particularly in the Highland Zone tended to occur on Grades IV and V land.

It has been pointed out (Tranter, 1976) that, to regard transfers of agricultural land as a 'pure' and fairly rapid process is essentially a simplification of the situation for three other similar categories of loss of production from agricultural land are to be noted. First, 'idle' or 'under-utilised' land which is still technically in agricultural use, albeit unproductively, and often found on the urban fringe before undergoing a complete change of use. The extent of such land use is unknown though the Standing Conference on London and South East Regional Planning (1976 & 1977) have stressed what a major problem they consider such land use to be. Second, land suffering from a 'partial' loss of agricultural production resulting from a policy of multiple land use. Examples include water-gathering grounds where restrictions on farming practice are enforced and the various regulations in National Park and other 'designated' areas concerning amenity and access. Third, 'temporary' land loss which occurs when the land goes out of agricultural use for a limited time period, for example, open-cast iron ore or coal mining or, sand and gravel extraction. Once the minerals have been extracted the land tends to be restored to agricultural use and if careful procedures are carried out yields will often return to their previous levels in a few years.

Considered together, the above three categories of loss are considerable. Their measurement is even more difficult than that of 'pure' losses, but clearly they are important, not only at the farm level but in aggregate at the national level.

IV.A.(d) Prices paid for land transferred from agriculture

Apart from some information on prices paid for land for forestry planting there is no official provision of prices paid for agricultural land for non-agricultural purposes in England and Wales. This is in marked contrast to Scotland for which such information is provided by DAFS in Scottish Agricultural Economics. Table IV.A.8 presents such information for 1972-76 and compares it with prices paid for land remaining in agriculture. It shows that the price of agricultural land sold for roads, housing and industrial development varied between 10.3 and 19.2 times the price of land remaining in agriculture. However, the ratio of 19.2 occurred in 1973 which was an extraordinary year in the land market all over the country.

Table IV.A.8

Prices of agricultural land sold for roads, housing and industrial development compared with prices of land remaining in agriculture in Scotland, 1972-1976

	1972	1973	1974	1975	1976
Agricultural land sold for roads, housing and industrial development (price per ha)[1]	1819	5736	4878	4217	6177
All land remaining in agriculture(price per ha) [2]	175	298	394	345	521
Ratio of 1 to 2	10.3	19.2	12.4	12.2	11.9

Sources: DAFS, 1975 & 1978.

Table IV.A.9 shows details of Forestry Commission land acquisitions for the forest years 1971-2 to 1976-7 with the average prices paid. Most of the land acquired was in Scotland so only a rough idea of prices paid for such land in England and Wales can be obtained. DAFS (1974) state that prices paid by private forestry interests for plantable land were about twice as high as those paid by the Forestry Commission.

Table IV.A.9

Forestry Commission land acquisitions in Great Britain, 1971-1977 with details of prices paid

	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977
England (ha)	810	100	765	60	-	591
Wales (ha)	1300	1500	633	336	430	802
Scotland (ha)	15600	5000	5220	7828	18965	16305
Great Britain (ha)	17000	6600	6600	8224	19395	17698
Average price paid (£ per ha)	51.4	60.0	127.0	270.0	131.0	149.0

Sources: Forestry Commission, 1973, 1974, 1975, 1976a, 1977 & 1978.

Harrison (1977) provided information from a random sample of farm businesses in England on the prices of agricultural land

sold for development between 1966 and 1970. During this period he found that prices of agricultural land sold for development varied widely. The weighted average price of such land over the period was £2,249/ha compared with £449/ha for all agricultural land in the MAFF land price series (Estates Gazette & Farmers Weekly, 1974), an average ratio of just over five to one. Since this sample included information from compulsory purchase cases it is likely that the overall figures are lower than they would have been if open market sales only had been included.

Table IV.A.10 provides more information on prices of agricultural land sold for development between 1967 and 1973. More precisely the figures relate to auction reports of agricultural land sold with either outline or full planning permission. The information is probably biased towards the South of England and is voluntarily supplied by land agents so prices are probably high. It can be seen that, over the period, there was a steady rise in the ratio between farming and development prices until 1972 when there was a dramatic and sustained rise in development prices.

Table IV.A.10

Some price information for agricultural land sold for residential development in England and Wales, 1967-73 compared with agricultural land prices

	1967	1968	1969	1970	1971	1972	1973
Agricultural land sold with planning permission for residential development (£/ha)[1] Row 1	8619	9318	12355	14080	16593	40458	88956
Agricultural land (£/ha)[2] Row 2	430	453	491	494	475	543	866
Ratio of Row 1 to Row 2	20.0	20.6	25.2	28.5	34.9	74.5	102.7

[1] Median price/ha/sales over 1 acre (0.404 ha) in size.

[2] Prices of all agricultural land in the MAFF land price series.

Sources: Estates Gazette and Farmers Weekly, 1974
Estates Gazette, 1967-73.

The Country Landowner's Association also gathered information on prices of agricultural land sold for development between 1973 and 1976. This information was collected quarterly and although it is regarded as useful in illuminating this sector of the land market care should be exercised in its use (CLA, 1978). During the period the weighted average price of agricultural land sold for development was £20354/ha compared with £1203/ha for all agricultural land in the MAFF land price series (ADAS, 1976 & 1977), an average ratio of 17 to 1 but a ratio of around 20 to 1 is not uncommon in recent years.

IV.A.(e) Conclusion

From the sections above it will be clear that English and Welsh information on land use, quality and the rate of transfer of land out of agriculture are far from ideal tools for those formulating and monitoring land use policies. Moreover the absence of a satisfactory land capability or quality classification of agricultural land and delayed and inaccurate land transfer information makes strategic land use planning difficult. Regional and local level land use planning is hampered by an even more unsatisfactory provision of information.

IV.B. Social, political, economic and administrative factors that affect land use patterns and the resolution of conflicts over competition for land

IV.B.(a) Government financial assistance to agriculture

The pattern of agricultural land use is determined largely by the prices of the major commodities and the financial measures used by the Government to aid the various sectors of the industry. The 1979 White Paper Farming and the Nation (HMSO, 1979) is the fullest and most recent exposition of Government agricultural policy. This document advocated a continued expansion of production. A large part of Government expenditure is in the form of market regulation under the CAP. The remaining part of Government expenditure on agriculture consists of various grants and allowances designed to help the industry 'achieve more efficient production' (Countryside Review Committee, 1978).

As well as three livestock production schemes there are four capital grant schemes intended to encourage capital investment leading to the long-term improvement of agriculture. The Farm Capital Grant Scheme is a nationally funded scheme open to farm businesses which have to be capable, after completion of grant aided work, of yielding a specified minimum net annual income. Expenditure on a wide range of capital works, services and fixed equipment is eligible including buildings, roads, drainage and water supply and waste disposal systems. The Horticulture Capital Grant Scheme provides grants for growers for improving their land, certain buildings, services and plant and equipment. The Farm and Horticulture Development Scheme, partly financed by the EEC, is designed to enable farmers and growers whose incomes are below the average earnings in non-agricultural industry to achieve a 'comparable income' and results from EEC Directive 72/159. Payments are made on approved development plans that show at the end of the period a comparable income will result for each person employed. Approved plans may also attract assistance from the other schemes mentioned here. The Farm Structure (Payments to Outgoers) Scheme is designed to reduce the number of uncommercial farm units and is partly financed by the EEC.

The Agricultural and Horticultural Co-operation Scheme provides grants to assist in production and marketing activities. Other grants are available for setting up production groups and fruit and vegetable producers' organisations. The Less Favoured Areas are areas of hill and upland defined by the EEC in

Directive 75/268 and approved to qualify for special measures of assistance in three main ways. First, Hill Livestock Compensatory Allowances which are in effect headage payments on cattle and sheep and are partly financed by the EEC. Second, higher rates of grant apply to certain capital expenditure under the Farm Capital Grant and Farm and Horticulture Development Schemes carried out in the Less Favoured Areas. Third, grants are available to forage groups for machinery purchase.

All the above schemes have land use effects resulting from the injection of some £175 million in 1976-77 into the UK agricultural industry (Countryside Review Committee, 1978).

Government forestry policy aims to expand timber production by planting on marginal agricultural land, mainly in the uplands (Advisory Council, 1978). A further important aim is the effective integration of forestry and agriculture. In its role as the Forest Authority, the Commission grant aids private forestry through the Basis III Dedication Scheme which makes grants for planting and management provided owners follow an agreed plan of operations. The rate of grant was increased for the first time in ten years in October 1977; it remains to be seen whether this will help to stem the fall in private planting. The Commission's Small Woods Scheme aids areas from 0.25 ha to 10 ha and the Countryside Commission's amenity planting schemes aid areas under 0.25 ha. The Nature Conservancy Council gives grants for tree planting for conservation purposes. Such grants can be obtained by both individuals and local authorities and other public bodies for such things as footpaths, nature reserves, picnic sites and access agreements. In addition to direct financial inducements, advisory and information services are becoming increasingly available (see for instance Countryside Commission,1978 and Nature Conservancy Council, 1978).

IV.B.(b) Planning and environmental legislation

The Town and Country Planning Act 1971 established a two-tier system of planning in which the upper tier is supposed to provide the strategic or structure plan and the lower tier the tactical or local plan. Structure plans are normally made by the county planning authorities and local plans by the districts. Local plans must conform with the structure plan for their area. Both types of plan have to be drawn up following public consultation and structure plans have to be approved by the Secretary of State for the Environment (in Wales the Secretary of State for Wales). DOE Circular 55/77 (DOE, 1977a) recognises that in almost every county the choice between agriculture and development will be regarded as a 'key' issue; in such cases the planning authorities have to state their attitude towards agricultural land and to consult the MAFF on a continuing basis. Similarly, the MAFF has to be consulted by the district planning authorities during the preparation of local plans.

In general, permission has to be sought from the local planning authority for development. With certain exceptions development is defined in Section 22 of the Town and Country Planning Act 1971 as '..... the carrying out of building, engineering, mining or other operations in, on, over and under land, or the making of any material change in the use of buildings or other land.....' Subsection 2 defines exemption to the

above as 'use of land for agriculture or forestry and use of any building occupied together with land so used'. The General Development Order 1977 defines 'permitted development' as 'the carrying out on agricultural land having an area of more than one acre and comprised in an agricultural unit of building or engineering operations requisite for the use of that land for purposes of agriculture (other than the placing on land of structures not designed for those purposes or the provision of dwellings) so long as :-

> the ground area covered either by itself or by the addition of other buildings erected within the preceding two years and within 90m of such buildings does not exceed $465m^2$;

or

> 3m in height within 3km of an aerodrome or 12m in any other case;

or is

> within 25m of the metalled portion of a trunk or classified road.'

The above general permission can be removed by the relevant Secretary of State confirming an Article 4 Direction to that effect. The Advisory Council (1978) states that 'about 450 Article 4 Directions have been referred to the MAFF since 1965' for consultation. Almost all of them concerned the removal of agricultural buildings from the permitted category and they are most commonly used in Areas of Outstanding Natural Beauty. The Town and Country Planning (Landscape Areas Special Development) Order 1950 established regulations concerned with the restriction of agricultural and forestry buildings normally exempt from planning permission. The areas concerned were mainly in National Parks.

Tree felling is controlled by several pieces of legislation. Section 60 of the Town and Country Planning Act 1971 permits the local planning authority to serve a tree preservation order on a single or group of trees or an area of woodland to control felling or lopping. This cannot be made on dying trees or when a working plan exists as approved by the Forestry Commission. The Town and Country Amenities Act 1974 Section 10 revises the penalties for breaking the above orders. The Forestry Act 1967 prohibits all felling without Forestry Commission consent, exemptions being small trees or those within a planning permission.

Since the Second World War, successive governments have sought to safeguard good agricultural land from development. DOE Circulars 71/71, 24/73 and 75/76 (DOE, 1971, 1973 and 1976) and DOE Development Control Policy Note No.4 - Development in Rural Areas (DOE, 1977b) contain current guidance and policy on this subject for local planning authorities. As Whitby & Willis (1978) have pointed out, these show that government policy 'is to ensure that, as far as possible, land of a higher agricultural quality is not taken for development where land of a lower

quality is available, and that the amount of land taken is no greater than is reasonably required for carrying out the development in accordance with standards'. Accordingly, the MAFF has to be consulted on all planning applications for development on areas of over 10 acres (4 ha) of agricultural land. In 1977 there were 1,239 such consultations (Advisory Council,1978). If the MAFF objects to the application on the grounds that it is against the long-term agricultural interest and the local planning authority does not agree, either they or the MAFF can ask the DOE (or the Welsh Office) to 'call-in' the application for the Secretary of State to decide. If he does decide on 'calling in' it results in a local planning inquiry. The MAFF can also reply to the local planning authority by stating the agricultural considerations that should be borne in mind or certain conditions (such as restoration after mineral extraction) that should, in their view, be imposed.

As Doyle & Tranter (1978) have pointed out, there has been much recent discussion about the need to rationalise the whole rural planning structure and especially, about the need for planners to consider agriculture in more detail in both structure and local plans. However, it does seem that they are hampered in this by the lack of a co-ordinated national rural land use policy and by the reluctance of the MAFF to play a more positive role in putting the agricultural case forward. More encouragingly, there are examples such as Bedfordshire, Hertfordshire, Kent and Merseyside where, following full consultation with MAFF, agricultural interests have been clearly recognised.

The most important other legislation affecting rural land use (in terms of area affected) is that which enables the designation of National Parks and Areas of Outstanding Natural Beauty. At present nearly 20 per cent of the area of England and Wales is so affected and farmers in such areas are faced with various constraints on their land use affecting for instance, the design and siting of buildings and the type of cultivations and land improvements that can be carried out. However, compensation for such constraints is becoming more common.

Although farm wastes are excluded from the Control of Pollution Act 1974, the MAFF has to prepare codes of practice for agricultural waste disposal. If the regional water authority suspects a farmer is causing, or might cause pollution, they can serve a notice on him to stop. Moreover, the authority may prohibit certain activities in certain areas. With the growth of large scale intensive livestock enterprises, the problem of farm waste disposal is becoming more serious and there is evidence that local authorities are becoming more strict in granting them permission. The Field Monuments Act 1972 is another piece of legislation with effects on rural land use. It provides for an 'acknowledged payment' to be made to any landowner who registers and respects the status of any monument which could be at risk from agricultural activities such as deep ploughing.

IV.B.(c). Compulsory purchase powers and capital taxation

The power to acquire land for a wide variety of

reasons has for many years been available to public authorities. Before the advent of the Community Land Act 1975, there were three categories of compulsory purchases (RICS,1978b):

(a) 'public general acts, concerned with such subjects as housing and highways, under which land could (and still can) be acquired for these special purposes;

(b) local acts, giving powers to particular municipal authorities;

(c) the Town and Country Planning Act 1971, under which there is a more general power to acquire land required for planning objectives'.

The Community Land Act 1975 Section 15 added to them; generally, such land is acquired for housing and public works purposes.

The Community Land Act 1975 and the Development Land Tax Act 1976 are the basis of the current machinery to enable community ownership of development land. The objectives are stated in the White Paper Land (HMSO, 1974) as:

(a) 'to enable the community to control the development of land in accordance with its needs and priorities; and

(b) to restore to the community the increase in value of land arising from its efforts'.

The RICS (1978b) have examined the operation of the first year of the Community Land Scheme and found that it caused no increase in public land acquisitions. This situation is largely due to the recent financial problems of local authorities. The present Conservative Government announcing when in Opposition that they intended to repeal the Act if returned to power has probably also contributed to this situation.

The Development Land Tax Act 1976 is complex but in essence the 'realised development value' of land is taxed at a high and progressive rate. The 'realised development value' represents the difference between net proceeds from the land sale and a 'base value', which broadly takes into account the value of the asset in its present (e.g. farming) use and expenditure which has been made on relevant improvements (CAS,1978). At present, the first £10,000 of the gain is exempt from the tax, the next £150,000 is taxed at 66.6 per cent and the remainder at 80 per cent.

Private forestry planting has been falling in recent years due, in the main it is thought, to the harsher treatment of woodland estates by CTT than by Estate Duty. As with agriculture, the new tax, with regards to forestry is complex but in brief the burden of the tax depends on the size of the owner's overall estate and the way he opts to be taxed. In a situation where ownership is transferred on death, the tax liability on the values of the timber (though not the land) can be postponed until felling. The net revenue from the sale of the timber is then charged at the rate applicable to the top slice of the

16)

deceased's estate and there is only one liability to the tax during the life of the crop. Alternatively, the inheritor can elect to have the value of the timber included in the estate and be taxed accordingly (Board of Inland Revenue,1977). Whichever scheme is chosen, the woodland can qualify for general business relief. This reduces the capital value by 50 per cent before the assessment of tax. The option to defer is only applicable to those estates where forestry is the main enterprise but, where it is an ancillary enterprise, the value of the woodland may qualify for agricultural relief. Although the new concessions have only been in operation for a relatively short time, they are expected to encourage more private forestry planting.

IV.B.(d). Non-agricultural demand for rural land

The countryside is no longer the sole preserve of those who produce food and timber. Demand for rural land for housing, industry and transport; for minerals and aggregates; for water; and for a wide range of leisure and recreation activities has been increasing. The rate of increase has varied, but the trend seems likely to continue. All these activities however, cause either temporary or permanent changes in the appearance or nature of the countryside and may easily result in conflict. Changes in agricultural and forestry practice, such as the removal of hedgerows and planting conifers in straight lines, although often carried out for sound commercial reasons, also alter the rural landscape and affect wildlife and are criticised on that score.

Perhaps the most significant trend affecting rural land use has been the increase in participation in leisure and recreation. The future direction and strength of this trend will depend on factors like the level of real disposable incomes and the price of petrol. What is certain is that large numbers of mainly urban dwellers now use the countryside for a wide range of both formal and informal recreation activities on both daytrip and longer stay basis. Such activity causes pressure on the rural environment - the very thing that people come to enjoy. The demand for land for minerals and aggregates in recent years has also caused land use problems. Much sand and gravel and coal for opencast extraction is found under good quality farm land. Such farm land is often the easiest and cheapest land to build on for houses and industry. Thus, conflict often results where, as in National Parks and Areas of Outstanding Natural Beauty, many hard rock aggregates and non-metalliferous minerals are found whose extraction tends to scar the landscape.

Such a rapidly changing situation as that described above needs well-founded and efficient administrative machinery to resolve conflicts. However, in England and Wales there is a plethora of both national and local government agencies; professional and special interest groups; and pressure groups including the so-called 'amenity and conservation lobby'; all with different mandates, responsibilities and vested interests in the countryside. This often causes confusion, delays in land use decisions and enlargement of conflicts. The next section will examine two problem areas where this situation is probably at its worst.

IV.B.(e) Rural problem areas

The urban fringe has been defined as 'The land between continuous built-up areas of cities or large towns and the open country around. Land use here is mixed: some activities are rural, others urban or quasi-urban' (Countryside Review Committee, 1977). The area of the urban fringe has never been measured but some idea of its magnitude can be obtained from the work of Coleman (1977) who found that, in 1963 in 13 countries it was over twice as large as the urban area. The urban fringe provides a location for 'residual' urban land uses such as airfields, sewerage works, mineral workings and playing fields. Sandwiched between these uses are large areas of farmland, some of high quality. Much of this, however, takes the form of 'an unkempt, neglected landscape of poor pasture, weedy arable land, untrimmed hedges, derelict woodland (often acting as unofficial rubbish dumps) and deteriorating farm equipment and buildings' (Wibberley, 1976).

Agriculture is the major urban fringe land use and 'the basis of its landscape character' (Standing Conference, 1977). However, several factors result in the land being farmed inefficiently and prevent the landscape from being maintained. Fragmentation of holdings by expanding urban development is probably the most serious and in some cases this threatens the viability of the farm business. Trespass and vandalism are often cited as problems, (e.g. MAFF, 1973 & 1976c) and because of them livestock farming is frequently abandoned. Much urban fringe farmland is under-used or under-farmed due to it being subject to planning permission for development or under a threat (whether real or imagined) of change of use so that farmers are unwilling to invest in improvements in farm infrastructure and maintenance. This situation is sometimes self-imposed, with farmers deliberately farming 'to quit' in the hope that they will be able to sell land for development for a large capital gain. Where the above factors exist the quality of the landscape inevitably suffers from the poorly maintained buildings, pasture and field boundaries. In short, a range of land use pressures interact with farming to create uncertainty which results in an untidy and often under-used or derelict landscape.

As Doyle & Tranter (1978) pointed out, 'planners, particularly in the London Green Belt and the North-West, are now acutely aware of the problems of the urban fringe and are trying to protect the considerable areas of high quality farmland that still exist. An encouraging feature of recent efforts to contain the problem has been the increasing amount of co-operation between local authorities, interest groups and government agencies involved in the urban fringe'. The policies that have evolved are in effect a series of remedial actions which have recognised that agriculture is only one urban fringe land use, albeit an important one, and they can be divided into three broad strands.

First, at the strategic level plans for 'buffer zones' have been established to break up the various land uses and to protect areas of farmland. An example of this thinking is the creation of zones for recreation, often in the form of

country parks, which it is hoped will ease the pressures from recreation on other areas. Second, programmes of education and interpretation, many stimulated by the Countryside Commission and implemented by local authorities, have been established to make the public more aware of the countryside and better able to understand it. Third, various management schemes for the urban fringe have been set up with warden services to coordinate activities.

Despite such initiatives, many still feel that new powers are needed by both central and local government to deal with the problems of the urban fringe. The Advisory Council (1978) suggests that controls on the restoration of derelict land and the appearance of farm buildings should be tightened and that, the MAFF should adopt a more positive role towards agriculture in the urban fringe and step up educational activities. The Standing Conference (1977) has strongly advocated that the DOE should formulate a 'Countryside Fringe Policy' specifying priority areas for various land uses, they also recommended that the MAFF should consider measures to improve the urban fringe landscape by giving grants or other financial inducements.

The other areas of continuing conflict over rural land use matters are the hills and uplands, particularly those areas designated as National Parks. Livestock rearing and forestry are currently the most important commercial activities but recreation is becoming more important in terms both of area affected and of financial benefits. Water supply, mineral extraction, nature conservation and defence purposes are also locally important and usually competing. Like the urban fringe, the hills and uplands suffer from acute physical, social and economic problems which include low temperatures and a short growing season, steep slopes and poor soils, a declining and ageing population with few transport facilities as well as poor social, medical and educational services.

All the various economic activities in these areas have their different sectoral interest groups and government agencies and, although it is believed that they can co-exist in an integrated fashion whilst reducing conflicts, the need for more co-ordination between land uses has been argued (see for instance, Tranter, 1978). Further complications over land use matters arise from the fact that in the hills and uplands the boundaries of local and other authorities frequently bear no relation to geographical factors. Many of the policies and measures that affect the hills and uplands apply nationally and are set either by central government or, and increasingly so, by the European Commission. However, the character and problems of say Exmoor are very different from those of Central Wales and merit different treatment.

Policies to arrest depopulation and stabilise and improve incomes in the hills and uplands need to be discussed and implemented at a local level. Currently the greatest proportion of government assistance for the hills and uplands goes directly to farming, but it is just one form of land use and seldom shows a good return in job creation terms for the investment of

public funds. Suggestions for the improvement of the problems of the hills and uplands - and indeed for all rural land use problems - have tended to have one main point in common, the need for a national rural land use strategy that has regional and local level components. Furthermore it has been suggested that this strategy should be implemented by multi-purpose development agencies with broad remits. The model for such an agency might well be the Highlands and Islands Development Board which was set up in 1965 to assist the people of the Highlands and Islands to improve their economic and social conditions and to enable the Highlands and Islands to play a more effective part in the economic and social development of the nation; it is responsible to the Secretary of State for Scotland and funded by grant-in-aid from the Treasury, with a current annual budget of about £11 million. The Highlands and Islands in the context of the Board, covers about half the land-mass of Scotland including all the significant islands except the Cumbraes in the Firth of Clyde, but it contains a total population of only about 322,000. Much of the Board's work concerns agriculture and forestry, fishing and tourism. However, it also offers direct assistance towards the capital funding of industrial, craft and selected commercial projects through grants, low-interest loans and/or subscription for shares (Farquharson, 1978). It has done much to lessen conflict and promote economic and social wellbeing in its area in the last decade.

V. CONCLUSIONS

Farming in the UK has undergone two radical transformations this century; first, a technical and structural revolution in which mechanisation and the use of more, and more sophisticated, capital inputs has combined with less labour in the operation of increasingly specialised, larger-scale units of production, second, a revolution in landownership in which a 90 per cent landlord-tenant system at the beginning of the century has given way to a mainly owner-occupier one. Associated with this shift in ownership has been a complete reversal of the fortunes of the market in farmland from the depths of depression in the 1920's and through much of the 1930's to the apparently inflation proof price levels of the 1970's. With those changes, has gone the shift from the old landlord to the new farmer-owner class of the problems of land purchase and transfers, as well as the other management and investment problems that landownership bestows together with wealth increases on a scale and rapidity which can have few comparable historical precedents.

In spite of these fundamental and far reaching changes farming is still dominated in terms of numbers of businesses by smaller units; family ownership and management are the rule, companies are still relatively few and the great majority of farms are run either as proprietorships or partnerships; simple patterns of finance prevail and relatively few businesses are heavily indebted. The numbers of farms have declined steadily for several decades and the hired workforce has fallen even more rapidly, but, with heavy investment in capital of all sorts including large-scale fixed equipment, output has risen. At the same time, the overall level of indebtedness of the industry has been reduced not increased. In part, this is due to the fact that the farm businesses that have disappeared have tended to be the smaller so that the growth required of the survivors has been considerably less than a comparison of the change in overall average sizes of businesses might have suggested, in part, it is due to the asset enhancing and debt and risk reducing effects of rising land prices.

Although these changes are far reaching and multi-dimensional and, although they are in no small measure due to legislation, nevertheless, they can not be documented fully and in depth. Indeed, much of this study has been directed towards the detailed and multi-strand examination of work from a wide variety of sources and authorities who employed samples, at different times and in different areas, in order to achieve different ends and therefore used different concepts and definitions.

The truth is that Official Statistics have been concerned neither, to monitor structural change and associated characteristics of factor employment nor, to study efficiency and productivity in ways permitting structural and tenurial relationships to be identified. Ownership has never been a subject of major interest although legislation drafted over a century has increasingly favoured tenants and owner-occupiers and penalised landlords, both on tenancy and on wealth ownership grounds.

Nowhere is this reluctance of government and society to

base its legislation on sound and relevant statistical data clearer than in its failure to register landownership. An attempt to set up a system of registration of the ownership of land was first made in 1862 but it failed. Then, in 1925 an Act was passed requiring the registration of title as revealed by investigation for the first conveyance of a property after an area became subject to the Act. In spite of the clear advantages of a ready knowledge of good and secure title there was little progress made for many years and, even now, there are relatively few counties where registration of title is wholly compulsory. Moreover, the whole scheme is strongly slanted towards the more urbanised counties and, where only partially compulsory, towards the urban areas. The fact that registration is compulsory in areas lived in by almost 34 million people reflects this. Conversely, areal and therefore farming coverage is proportionately much less. At no time has land registry data been on a sufficient scale to contribute significantly to our knowledge of the ownership of farmland. It was not designed for such a purpose and there are no signs that it is intended to use it in that way.

The deficiencies of Official Statistics for the study of structural change in farming simply reflect the fact that they were not designed for that purpose. Those deficiencies have been thoroughly explored in the text and will only be referred to briefly at this stage. They embrace the following. First, they have never been concerned much with farms as individual production units and businesses but have, in the main, been designed to arrive at overall production patterns in national, county and to a lesser extent parish terms. Because of this a serious confusion over holdings and farms has arisen and over what is meant by a part-time farm. Second, our knowledge of landownership is restricted to a series of secondary and usually small-scale enquiries often based on indirect and not entirely satisfactory data. That this should be so reflects in no small measure the resistance to enquiry of the politically well-entrenched landlord class over the centuries. It may yet work to their more serious disadvantage. Third, the on-going, University farm costings schemes (the FMS) have operated on the basis of a working convention which treated all farms as if they were rented. Consequently, differences stemming from landownership and associated farm business finance have never been properly isolated and inter-tenure comparisons of performance and motivation have not been possible. In particular, the burden of farm purchase indebtedness over time, together with farmers' management reactions to such burdens on the one hand and capital gains on the other, remain neglected yet vital subjects for the appraisal of structural change. Fourth, after many years of official neglect of the subject of land prices made good, so far as data allowed, by the painstaking and resourceful use of recorded information on auction sales by researchers from the Oxford University Institute of Agricultural Economics, there is now a full coverage of the subject from a wide range of points of view.

Although the poverty of statistical data about ownership and about the efficiency of owner-occupier farming, relative to that of tenants (and their landlords) might not of itself be

thought surprising, nevertheless, it stands in marked contrast to society's clearly legislated standpoint against the private landlord and against the larger owner-occupier. Even now (late 1979) the marked superiority of Scottish statistics has continued for so long that, it is doubtful whether the rest of the countries intend to follow their lead. Moreover, the Ministry of Agriculture's small scale landownership survey of the Wyre Forest seems by no means certain to be extended quickly to the whole country and the report of the Northfield Committee of Enquiry into Landownership set up under the last Labour Government has not been greeted enthusiastically by the recently elected Conservative one.

The beneficial effects of ownership on land use are regularly assumed even if seldom explicitly stated but,what evidence there is relating to farming in the United Kingdom by no means establishes this supposition. Owner-occupier farming is immobile geographically, as well as in terms of entrepreneurial and capital recruitment; moreover, in the face of rising land prices and increasing wealth and capital gains taxation, land transfers between farm and farm have become fewer, also owner-occupiers have, quite clearly, overinvested (with the help of generous government aid) in buildings. In summary, there is now a good deal of evidence to suggest that, on the smaller farms at any rate, the accrual of capital gains on owned land is probably resulting in significantly less efficient utilisation of resources than is achieved by tenant farmers.

Insofar as present legislation represents a determined effort to see that society's express wishes regarding wealth taxation are carried out and not avoided, as was Estate Duty, by the well advised and better endowed, it is to be welcomed. However, as the chapter by Professor Miles shows, there can be tremendous variations in the amount of CTT that is levied simply as a result of a few judicious adjustments in the ownership situation. Moreover, these involve no fundamental alteration in management, or even wealth, distribution. Also, as Mrs. Abecassis's work shows, the resources currently devoted to 'arranging' ownership of land (and other forms of wealth) are not only enormous but entirely unproductive since they are designed solely to frustrate the efforts of the legislators. The result is that, the correctness of the decision about when, to whom and how to transfer a farm business is not something to be settled according to resource use criteria but is properly, and almost entirely, to be reached on the grounds of fiscal advantage.

The complexity of the legislation as it now stands raises serious doubts about the efficiency of its application, even on its own terms. Not only does such complexity stand in the most marked contrast to the simplicity of farming business forms and financial arrangements but, the ways landowning and new tenancy arrangements are developing suggest that legislators might be producing effects diametrically opposed to those they intended. Moreover, as the experience of the Northern Ireland Land Acts shows, where all the parties are willing to cooperate to frustrate legislation a completely new system outside its reach can quickly become established. Together with the evidence from

Scotland that new lettings are virtually unheard of it would suggest that there comes a time when legislation is likely to benefit only the current generation of farmers and be positively harmful to their successors when viewed on any socially or economically appropriate time scale.

Whatever society's views on the justification of private ownership of wealth- and few would regard them as well worked out - it would not seem inappropriate to hope that we may yet save what is best of the classical landlord-tenant system of farming in this country and that wealth in the form of land, and however owned, will not be singled out for more severe treatment than other forms of wealth. Whatever its full explanation, the continuing presence of the traditional landlord to which Forse draws attention is something not lightly to be legislated away. Moreover, the apparent unwillingness of UK citizens to embrace an accessions tax, in which tax paid is calculated according to the amount of wealth received so that its wider spread is encouraged, is not easy to understand.

Capital taxation aside, especially the treatment of landlords - on that score as well as regarding their rents as 'unearned'income - by the standards which apply widely in Western Europe today, the market in farmland in Britain is remarkably free. Landownership is not restricted either according to who may own it nor to what extent. Indeed, two of the more interesting developments in recent years have been the emergence of new part-time farmers who do not have traditional farming, or even rural, backgrounds and the growth of institutional ownership of farmland, partly replacing the old private landlord and partly enabling owner-occupiers who wished to do so to 'cash-in' their capital gains to invest in working capital. In addition, and in many ways an even more striking development paralleling both these changes has been the growth of farm businesses - referred to by Hill - which are exceptionally large by European standards.

Although the evidence assembled by the University agricultural economists in their farm costing studies do not point clearly to the possibilities of increasing or even constant returns to scale the proprietors of these businesses have not been deterred. They are unique in several respects. First, they are the main, if not the only, current example of any importance of newly formed large scale farm businesses, second, they are based on hired managerial expertise which they wish to employ on a career basis, third, they are linked to newly recruited landownership whose ties are not traditional and rural. It is interesting to note that the movement towards larger-scale farms has occurred relatively slowly over the postwar years except where the finance of landownership has been met from the outside, as it were, by City financiers and that, this spurt in the formation of large farms stands in very marked contrast to corresponding developments in the depression years of the 1920s and 1930s. At that time land was readily available but only persons of exceptional talent, vision and courage believed it was cheap and therefore a sound investment. It was also a time of exceptional farmer mobility southwards and eastwards - again in marked contrast to today's immobile situation with farmers

tending to move in just the opposite direction in search of cheaper land.

The sorts of owners and managers involved in and on these farms and the new urban based part-time farmers who are now so important, especially in the South East, differ markedly from the small farmers who have disappeared so rapidly in recent decades. It has been argued (Raup, 1977) that this new type of management and finance is likely to react much more quickly than the traditional forms to profit margins and capital gains and that the great merit of the smaller family-run and financed type of farm business has been in its ability to withstand risk. As Raup has put it 'In the short-run, mobilization of capital may be more easily achieved by large-scale non-proprietory or corporate units. In the long run, the costs of this capital will have to be covered by the price of food, or the capital will be withdrawn. Family type farmers will hold land capital at lower cost and without forcing the full costs of carrying this capital into the national food bill.....A population of viable family-type farms is thus not only more efficient in promoting innovation and adaption to technological change, it will also carry the required capital stock at lower rates of return'.

The need therefore, is to balance at the margin, present and future gains from production returns to scale against costs in terms of reduced risk-bearing capacity. However, the general tenor of the arguments assembled in this text, and the data on which they are based, is far from suggesting that they are solidly grounded on the evidence of past performances or on a sure appreciation of the socio-economic trade-offs to be achieved between classes on either the shorter or longer term. Needless to say what has been and is being legislated in the name of economic and, or, social justice has yet fully to work itself out.

Curiously, apart from being weighted against the private farming landlord (especially the larger) and the large owner-occupied farmer, there have been very few restrictions placed on land use and ownership in the UK. Early attempts to set up Rural Development Boards, amongst other things, to improve the working of the farmland market and hence farming's structure by allowing them to buy land and either sell or lease it out again, proved short-lived in the face of the first signs of political opposition. Only two were proposed and only one of those ever operated. The Highlands and Islands Development Board, active and innovative as it is, has had its way made easier by the fact that it operates in an area which is sparsely populated, obviously disadvantaged and geographically isolated; even so it believes it does not have adequate powers to do its job properly. For the rest London's associated Green Belt legislation has never looked like being extended to national land use zoning; nor does planning machinery to vet individual development projects guarantee that society's longer term and multi-sectoral aims can also be met. All the pleas for better planning and more constructive and purposeful consideration of farming needs do not necessarily achieve that end. Indeed, there are good grounds for believing that the complexity of the

situation must make attempts to do so by legislation both costly and perhaps, in the end, self defeating.

VI. REFERENCES

Abecassis, Joanna (1978) Trusts and arrangements in landownership. Paper read at the Agricultural Economics Society Conference on Agricultural Land in the UK. Dec. 1978.

ADAS (1976a) Agricultural land prices in England and Wales. Technical Report 20/8. Pinner: MAFF.

ADAS (1976b) Expenses of agricultural land ownership in England and Wales. Technical Report 25/1. Pinner: MAFF.

ADAS (1977) Agricultural land prices in England and Wales 1975-6. Technical Report 20/9. Pinner: MAFF.

Advisory Council for Agriculture and Horticulture in England and Wales (1978) Agriculture and the countryside. Pinner: MAFF.

Agricultural Adjustment Unit (1968) Farm Size Adjustment. A workshop report. Bulletin No.6, Agricultural Adjustment Unit, University of Newcastle-on-Tyne.

Agriculture EDC (1972) Agricultural manpower in England and Wales. A report by the Agriculture EDC of the National Economic Development Office. London: NEDO.

Agriculture EDC (1973) Farm productivity. A report on factors affecting productivity at the farm level. A report by the Agriculture EDC of the National Economic Development Office. London: NEDO.

Agriculture EDC (1977a) Agriculture into the 1980s - Land Use. A report by the Agriculture EDC of the National Economic Development Office. London: NEDO.

Agriculture EDC (1977b) Agriculture into the 1980s: resources and strategy. A report by the Agriculture EDC of the National Economic Development Office. London: NEDO.

Alexander, D.J. (1967) Sales of agricultural land in Northern Ireland. Studies in Farm Economics, DANI. Belfast: HMSO.

Best, R.H. (1976a) The extent and growth of urban land. The Planner, 52, 8-11.

Best, R.H. (1976b) The changing land-use structure of Britain. Town & Country Planning, 44, 171-176.

Best, R.H., Jones, A.R. & Rogers, A.W. (1974) The density-size rule. Urban Studies, 11, 201-208.

Best, R.H. & Swinnerton, G.S. (1974) The quality and type of agricultural land converted to urban use. Final report of SSRC Project No. HR 1609. London: SSRC.

Black, C.J. (1965) Capital development on farms in theory and practice I. Farm Economist, 10, 475-484.

Black, C.J. (1966) Capital development on farms in theory and practice II. Farm Economist, 11, 10-23.

Black, C.J. (1967) Investment policy and farm buildings, Economics Division, School of Agricultural Science, University of Leeds.

Blake, R.N.E. (1969) The impact of airfields on the British Landscape. Geographical Journal, 135, 508-528.

Board of Inland Revenue (1977) Capital Transfer Tax. London: Board of Inland Revenue.

Boddington, M.A.B. (1978) The classification of agricultural land in England and Wales: a critique. RPS Publication No.4. Ipsden: Rural Planning Services Ltd.

Bonthron, H.W. (1969) Expenditure on fixed equipment on Scottish farms. Scottish Agricultural Economics, 19, 223-229.

Bosanquet, C.I.C. (1968) Investment in Agriculture. Journal of Agricultural Economics, 19, 3-22.

Britton, D.K. (1949) The sale value of farmland between the Wars. Farm Economist, 6 (5), 125-133.

Britton, D.K. (1970) The analysis of Net Farm Income: an examination of Farm Management Survey data. Journal of Agricultural Economics, 21, 351-371.

Britton, D.K. & Hill, Berkeley (1975) Size and efficiency in farming. Farnborough: Saxon House:

Britton, D.K. & Hill, Berkeley (1978) Farm size, tenure and efficiency: further findings from Farm Management Survey data. School of Rural Economics and Related Studies, Wye College, University of London.

CLA (1978) Personal communication

Centre for Agricultural Strategy (1976) Land for agriculture. CAS Report 1. Reading: CAS.

Centre for Agricultural Strategy (1978) Capital for Agriculture. CAS Report 3. Reading: CAS.

Champion, A.G. (1975) An estimate of the changing extent and distribution of urban land in England and Wales, 1950-70. CES RP10. London: Centre for Environmental Studies.

Cheveley, S. & Price, O.T.W. (1955) Capital in United Kingdom Agriculture, Present and Future. London: Netherhall Press.

Clark, G. (1978) Farm amalgamation in Scotland. Unpublished paper quoted in Northfield (1979).

Clayton, David, Harrison, Alan & Hill, Berkeley (1967) Capital taxation and landownership in England and Wales. Misc.Study No.44, Department of Agricultural Economics, University of Reading.

Clayton, J. & Maunder, A.H. (1977) A quarter of a century of agricultural land values. Estates Gazette, 242, 783-791.

Coleman, A. (1977) Land use planning: success or failure? Architects Journal, 165, 93-134.

Countryside Commission (1978) Grants to private individuals and bodies for conservation and recreation in the countryside. CCP 79. Cheltenham: Countryside Commission.

Countryside Review Committee (1977) Leisure and the countryside - a discussion paper. London: HMSO.

Countryside Review Committee (1978) Food production in the countryside - a discussion paper. London: HMSO.

DAFS (1974) Agricultural land prices - Scotland. Scottish Agricultural Economics, 24, 298-308.

DAFS (1976) Agricultural land prices - Scotland. Scottish Agricultural Economics, 26, 41-48.

DAFS (1977) Capital expenditure in Scottish Farming, 1974-75 and 1975-76. Scottish Agricultural Economics, 27, 82-86.

DAFS (1978) Agricultural land prices - Scotland. Scottish Agricultural Economics, 28, 186-195.

DOE (1971) Development of agricultural land. DOE Circular 71/71 and Welsh Office Circular 149/71. London: HMSO.

DOE (1972) General information system for planning. London: DOE.

DOE (1973) Development for agricultural purposes. DOE Circular 24/73 and Welsh Office Circular 49/73. London: HMSO.

DOE (1974) Statistics of land use change. DOE Circular 71/74 and Welsh Office Circular 114/74. London: HMSO.

DOE (1975) National land use classification system. London: DOE.

DOE (1976) Development involving agricultural land. DOE Circular 75/76 and Welsh Office Circular 110/76. London: HMSO.

DOE (1977a) The Town and Country Planning Act 1971; Memorandum on structure and local plans. DOE Circular 55/17 and Welsh Office Circular 82/77. London: HMSO.

DOE (1977b) Development in rural areas. DOE Development Control Policy Note No.4. London: HMSO.

DOE (1978) Developed areas 1969. A survey of England and Wales from air photography. London: DOE.

Dellaquaglia, Ann P. (1978) Size and efficiency in Scottish Agriculture. Scottish Agricultural Economics, 28, 149-158.

Denman, D.R. (1957) Estate capital: the contribution of land-ownership to agricultural finance. London: George Allen and Unwin.

Denman, D.R. & Stewart, V. (1959) Farm Rents. London: George Allen and Unwin.

Dickinson, G.C. & Shaw, M.G. (1978) The collection of national land use statistics in Great Britain: a critique. Environment & Planning A, 10, 295-303.

Doyle, C.J. & Tranter, R.B. (1979) In search of vision: rural land use problems and policies. Built Environment, 4, 289-298.

Dunn, J.M. (1976) Some aspects of the structure of the agricultural labour input. Scottish Agricultural Economics, 26, 7-9.

Edwards, A. & Rogers, A. (1974) Agricultural Resources. London: Faber and Faber.

Estates Gazette (Various years) Estates Gazette.

Estates Gazette & Farmers Weekly (1974) The Farmland Market, 2, 21.

Farquharson, J.K. (1978) The future role of the Highlands and Islands Development Board in the encouragement of rural based industries. Ch.25 of Vol.1 of The Future of Upland Britain. (Ed.R.B.Tranter) CAS Paper 2. Reading: CAS.

Field, M.J. (1979) Young entrants to agriculture. Centre for European Agricultural Studies, Wye College, University of London.

Fordham, R.C. (1974) Measurement of urban land use. Occasional Paper No.1, Department of Land Economy, University of Cambridge.

Forestry Commission (Various years) Annual Reports.London: HMSO.

Forestry Commission (1976b) Personal communication.

Forse, T.J. (1977) Effects of agricultural holdings legislation on tenant farmers' fixed capital investment in England. Ph.D.Thesis, University of Cambridge.

Forse, T.J. (1978) A case study of the role of the landlord in agriculture. Submission to the Northfield Committee of Inquiry into the Acquisition and Ownership of Agricultural Land.

Gasson, Ruth (1959) Occupational immobility of small farmers. Occasional Paper No.13, Department of Land Economy, University of Cambridge.

Gasson, Ruth (1966) Part-time farmers in South-East England. Farm Economist, 11, 135-139.

Gasson, Ruth (1967) Some economic characteristics of part-time farming in Britain. Journal of Agricultural Economics, 18, 111-120.

Gasson, Ruth (1973) Goals and values of farmers. Journal of Agricultural Economics, 24, 521-542.

Gilg, A.W. (1978) Countryside planning - the first three decades, 1945-76. Newton Abbott: David & Charles.

H.M.Government, Northern Ireland (1947) Report of the Agricultural Enquiry Committee. Cmnd.249. Belfast: HMSO.

HMSO (1974) Land. Cmnd 5730. London: HMSO.

HMSO (1978) Annual abstract of statistics, 1977. London:HMSO.

HMSO (1979) Farming and the Nation. Cmnd 7458. London:HMSO.

Harrison, Alan (1965) Some features of farm business structures. Journal of Agricultural Economics, 16, 330-347.

Harrison, Alan (1967) Farming change in Buckinghamshire. Some features revealed in a study of farm business structures 1961-63. Misc.Study No.43, Department of Agricultural Economics, University of Reading.

Harrison, Alan (1975) Farmers and farm businesses in England. Misc.Study No.62, Department of Agricultural Economics and Management, University of Reading.

Harrison, Alan (1977) Personal communication.

Harrison, Alan, Tranter, R.B. & Gibbs, R.S. (1977) Landownership by public and semi-public institutions in the UK. CAS Paper 3. Reading: CAS.

Harvey, S. (1973) A theoretical and empirical analysis of agricultural land values 1948-1970. Ph.D.Thesis, University of Manchester.

Hearn, S. (1977) Farm incomes and capital gains: implications for structural change. Ph.D.Thesis, Wye College University of London.

Hill, Berkeley (1974) The rise of the mixed tenure farm: an examination of official statistics. Journal of Agricultural Economics, 25, 177-182.

Hill, Berkeley & Kempson, R,E. (1977) Farm buildings capital in England and Wales. Wye College, University of London.

Hill, B.E. & Ingersent, K.N. (1977) An economic analysis of agriculture. London: Heinemann.

Hine, R.C. & Houston, A.M. (1973) Government and structural change in agriculture. Joint report prepared by the Universities of Nottingham and Exeter for MAFF. London: HMSO.

Hoskins, W.G. & Stamp, L.D. (1963) The common lands of England and Wales. London: Collins.

Hyder, K. & Maunder, A.H. (1974) The price of farms. Oxford Agrarian Studies, 3, 3-14.

Ingham, G.K. (1970) Size of industrial organisation and worker behaviour. Cambridge University Press.

Lund, P.J. & Hill, P.G. (1978) Farm size, efficiency and economies of size. Paper read at the Agricultural Economics Society Conference on Agricultural Land in the UK. Dec. 1978.

Lund, P.J. & Slater, J.M. (1978) A study of agricultural land-ownership: report on the Wyre Forest Survey. Paper read at the Agricultural Economics Society Conference on Agricultural Land in the UK. Dec. 1978.

MAFF (1968) A Century of Agricultural Statistics, Great Britain 1866-1966. London: HMSO.

MAFF (1973) Agriculture in the urban fringe. A survey of the Slough/Hillingdon area. ADAS Technical Report 30. Pinner: MAFF.

MAFF (1974a) EEC Agricultural and Food Statistics, 1974. London: MAFF.

MAFF (1974b) Agricultural land classification of England and Wales. Pinner: MAFF.

MAFF (1974c) Agricultural Statistics, England and Wales, 1973. London: HMSO.

MAFF (1975) Agricultural Statistics, England and Wales, 1974. London: HMSO.

MAFF (1976) Private correspondence.

MAFF (1976a) Final results of the June 1975 census. London: MAFF.

MAFF (1976b) Agricultural land classification of England and Wales. The definition and identification of subgrades within Grade 3. ADAS Technical Report 11/1. Pinner: MAFF.

MAFF (1976c) Agriculture in the urban fringe. A survey in the Metropolitan County of Tyne and Wear. ADAS Technical Report 30/1. Pinner: MAFF.

MAFF (1977a) Agricultural Statistics, England and Wales, 1976. London: HMSO.

MAFF (1977b) The Changing Structure of Agriculture, 1968-1975. London: MAFF.

MAFF (1977c) Final results of the June 1976 census. London: MAFF.

MAFF (1977d) Agricultural statistics, United Kingdom, 1975. London: HMSO.

MAFF (1978a) Agricultural labour in England and Wales. London: MAFF.

MAFF (1978b) Annual Review of Agriculture 1978. London:HMSO.

MAFF (1978c) Farm incomes in England and Wales, 1976-77. London: HMSO.

MAFF (1978d) Farm rents in England and Wales: 1977 Enquiry. SFR 21. London: MAFF.

MAFF (1978e) Final results of the June 1977 census. London: MAFF.

MAFF (1979) Annual Review of Agriculture 1979. London: MAFF.

Mackenzie, A.M. (1974) Agricultural land prices - Scotland. Scottish Agricultural Economics, 24, 298-308.

Mackney, D. (1974) Land use capability classification in the UK. In: Land capability classification. MAFF Technical Bulletin 30. London: HMSO.

Maunder, A.H. (1969) Farm sale values in 1968. Estates Gazette, 209, 833.

Maunder, A.H. (1975) The search for a more accurate average price for land. The Farmland Market, No.3, 15.

McEwan, J. (1977) Who owns Scotland? A study in landownership. Edinburgh: EUSPB.

Munton, R.C.J. (1975) The state of the agricultural land market, 1971-73. Oxford Agrarian Studies, 4, 111-130.

Nalson, J.S. (1968) Mobility of farm families. Manchester University Press.

Nature Conservancy Council (1978) Treeplanting. London: Nature Conservancy Council.

Newby, H. (1972) The Low Earnings of Agricultural Workers: A Sociological Approach. Journal of Agricultural Economics, 23, 15-24.

Newby, H. et al (1978) Property, paternalism and power: class and control in Rural England. London: Hutchinson.

Nix, J. (1978) Farm management pocketbook. 9th Edition. Wye College, University of London.

Nix, J. (1979) Farm management pocketbook. 10th Edition. Wye College, University of London.

Northfield Report (1979) Report of the Committee of Inquiry into the Acquisition and Occupancy of Agricultural Land. Cmnd. 7599. London: HMSO.

North West Economic Planning Council (1978) Land for agriculture in the North West. Manchester: North West Economic Planning Council.

Patmore, J.A. (1972) Land and leisure. Harmondsworth: Penguin.

Peters, G.H. (1966) Recent trends in farm real estate values in England and Wales. Farm Economist, 11, 45-60.

Phillips, T.P. & Rogers, S.R. (1970) Structural change in Northern Farming. Bulletin No.14, Agricultural Adjustment Unit, University of Newcastle-on-Tyne.

Raup, P.M. (1977) Some questions of value and scale in American Agriculture. Paper presented to a joint session of The American Agricultural Economics Association with The American Economics Association, New York, 1977.

Rettie, W.J. (1975) Scotland's farm occupiers. Scottish Agricultural Economics, 25, 387-393.

Rose, D., Newby, H., Saunders, P. & Bell,C. (1977) Land tenure and official statistics: a research note. Journal of Agricultural Economics, 28, 69-76.

Rosen, E.G.A. (1976) Management on a large scale. Farm Management, 3, 113-117.

Royal Commission on Common Lands 1955-58 (1958) Report. London: HMSO.

Royal Institution of Chartered Surveyors (1977a) The acquisition and occupancy of agricultural land. London:RICS.

Royal Institution of Chartered Surveyors (1977b) The future pattern of ownership and occupation. London: RICS.

Royal Institution of Chartered Surveyors (1978a) A.L.T. succession decisions. London: RICS.

Royal Institution of Chartered Surveyors (1978b) The land problem reviewed. An examination of the Community Land Scheme and proposals for the future. London: RICS.

Russell, T.J. (1970) The size structure of Scottish Agriculture. Scottish Agricultural Economics, 20, 299-325.

Selman, P. (1978) The application of soil survey and land capability classification in planning. Planning Monograph No.1, Planning Department, Glasgow School of Art.

Simpson, I.G. (1968) Change in the structure of Yorkshire Farming. Farm Report No.177, University of Leeds.

Soil Survey of England and Wales (1978) Personal communication.

Standing Conference on London and South East Regional Planning (1976) The improvement of London's Green Belt. SC620. A report by the Green Belt Working Group. London: The Conference.

Standing Conference on London and South East Regional Planning (1977) The improvement of London's Green Belt - a second report. SC860R. A report by the Green Belt Working Group. London: The Conference.

Strutt and Parker (1979) Review 1978-79. London: Strutt and Parker.

Swinnerton, G.S. (1976) Land quality and land use in England and Wales. Landscape Research News, 1, (12), 10-12.

Tranter, R.B. (1976) Some recent trends in transfers of agricultural land and their effects on UK agriculture. In: Land for agriculture. CAS Report 1. Reading: CAS.

Tranter, R.B. (Ed) (1978) The future of upland Britain. CAS Paper 2. Reading: CAS.

University of Reading (1978) Milton Keynes 1977: agriculture clings on. In: Farm Business Data 1978. Department of Agricultural Economics and Management, University of Reading.

Wagstaff, H.R. (1970) Scotland's farm occupiers. Scottish Agricultural Economics, 20, 277-285.

Ward, J.T. (1958) Farm sale prices over a hundred years, Estates Gazette, 171, Centenary supplement 47-48.

Ward, J.T. (1959) Farm rents and tenure. London: Estates Gazette.

Weir, Anne (1977) Activity in the land market. The Farmland Market, No.8, 17-19.

Whatmough, R. (1974) Land prices in Northern Ireland - the background to recent increases. Journal of the Northern Ireland Institute of Agricultural Science, 1973-74, 23-26.

Whitby, M.C. (1967) Labour mobility and training in agriculture. Westminster Bank Review, August, 43-51.

Whitby, M.C. & Willis, K.G. (1978) Rural resource development. An Economic Approach. London: Methuen.

Wibberley, G.P. (1976) Rural resources development in Britain and environmental concern. Journal of Agricultural Economics, 27, 1-18.

European Communities — Commission

Factors influencing ownership, tenancy, mobility and use of farmland in the United Kingdom

Luxembourg: Office for Official Publications of the European Communities

1981 — 260 p. — 21 x 29,7 cm

Series Information on Agriculture — 74

EN

ISBN 92-825-2181-8

Catalogue number: CB-NA-80-074-EN-C

BFR 250	DKR 48	DM 15,60	DRA 370	FF 36
IRL 4.20	LIT 7300	HFL 17	UKL 3.40	USD 8

Farming in the UK has undergone two radical transformations this century: first a technical and structural revolution towards larger-scale increasingly specialized and highly mechanized units of production with much less labour and, second, a social revolution changing the landlord-tenant system of the beginning of the century into a mainly owner-occupier one.

Today farming is dominated in terms of numbers of businesses by smaller units: family ownerhip and management are the rule, companies are stil relatively few and the great majority of farms are run either as proprietorships or partnerships; simple patterns of finance prevail and relatively few businesses are heavily indebted.

Legislation to regulate the ownership of land is extremely complex and in general weighted against the private landlord and the large owner-occupier. It seems not to favour a rational use of resources.

Most interesting developments in recent years have been the emergence of new part-time farmers who do not have traditional farming backgrounds and the growth of (private) institutional ownership of farmland, and the growth of farm business which are exceptionally large by European standards.

This study is only published in English

Information on Agriculture

		Year	Languages
No. 1	Credit to agriculture I. France, Belgium, GD Luxembourg	1976	F
No. 2	Credit to agriculture II. Federal Republic of Germany	1976	D
No. 3	Credit to agriculture III. Italy	1976	F I
No. 4	Credit to agriculture IV. The Netherlands	1976	E N
No. 5	Map of the duration of the vegetationperiod in the Member States of the Community	1976	F D
No. 6	Models for analysis mixed crop and cattle farms Basic techno-economic data: Schwäbisch-bayerisches Hüggel-and (Federal Republic of Germany)	1976	D
No. 7	Models for analysis mixed crop and cattle farms Basic techno-economic data: South-East Leinster (Ireland), West Cambridgeshire (United Kingdom), Fünen (Denmark)	1976	E
No. 8	Provisions on bovine husbandry	1976	F
No. 9	Forms of cooperation in the fishing industry — Denmark, Ireland, United Kingdom	1976	E
No. 10	The milk and beef markets in the Community — A regional approach for the achievement of equilibrium	1976	D E
No. 11	The contribution of the "mountain communities" in Italy to the development of hill farming	1976	I
No. 12	The Italian "enti di sviluppo agricolo" (agricultural development bodies) in the structural reform — Adjustment problems and prospects	1976	I
No. 13	Markets for fresh lemons and lemon juice in the European Community	1976	E F
No. 14	Pesticide residues in tobacco and tobacco products I. General report	1976	F E
No. 15	Water content of frozen or deep-frozen poultry. — Examination of methods of determination	1976	F E
No. 16	Methods for the detection of the viruses of certain diseases in animals and animal products	1976	E
No. 17	Veterinary Vaccines — A comparative analysis of regulations in the Member States for three major diseases	1976	E
No. 18	The foreseeable trend in world availabilities of agricultural products and the consequences for the Community I. Wheat, feed grain, sugar — Summary	1976	D F
No. 19	The foreseeable trend in world availabilities of agricultural products and the consequences for the Community II. Beef, sheepmeat, milk products	1976	D F
No. 20	Forms of cooperation between farms for production and marketing in the new Member States	1976	E
No. 21	Objectivation of the bacteriological and organoleptic quality of milk for consumption	1976	E
No. 22	Evaluation of the hygienic problems related to the chilling of poultry carcasses	1976	E

		Year	Languages
No. 23	Pesticide residues in tobacco products II. Plant protection products used — Legislation — Methods of analysis	1976	F E
No. 24	Practical means for the application of methods of integrated pest control	1976	F
No. 25	Forestry problems and their implications for the environment in the member States of the EC I. Results and recommendations	1976	D F E
No. 26	Pesticide residues in tobacco and tobacco products III. Pesticide residues found in tobacco — Toxicological aspects of residues in tobacco	1976	F E
No. 27	The marketing of imported fruit and vegetables in the EC	1977	F
No. 28	Credit to agriculture in the EC Member States — A comparative analysis	1977	E F
No. 29	The cost of first processing and packing of unworked tobacco produced in the Community	1977	I F
No. 30	Review of pre-slaughter Stunning in the EC	1977	E D
No. 31	Forestry problems and their implications for the environment in the Member States of the EC II. Access of the public to forests and their use for recreational purposes	1977	D
No. 32	Forestry problems and their implications for the environment in the Member States of the EC III. Position, development and problems of mechanization of stand establishment and timber harvesting	1977	D
No. 33	Forestry problems and their implications for the environment in the Member States of the EC IV. State aid for the financing of forestry measures in forests not owned by the State	1977	D
No. 34	Forestry problems and their implications for the environment in the Member States of the EC V. Systems of forest taxation and the tax liability of private forest holdings	1977	D
No. 35	Projections for the agricultural sector — Forecasts of the trends in farm structures and factor input in agriculture in the EC I. Theoretical basis and analysis of existing studies	1977	D
No. 36	The foreseeable trend in world availabilities of agricultural products and the consequences for the Community III. Oils and fats, protein products	1977	D
No. 37	Models for analysis mixed crop and cattle farms — Basic techno-economic data: Bassin de Rennes (France)	1977	F
No. 38	Determination of the proportion of lean meat on pig carcasses using the Danish KSA-equipment	1977	D E
No. 39	Models for analysis mixed crop and cattle farms — Basic techno-economic data: Volvestre (France)	1977	F
No. 40	Influence on health of different fats in food	1977	E F
No. 41	Models for analysis mixed crop and cattle farms — Basic techno-economic data East-Aberdeenshire (Scotland)	1977	E

		Year	Languages
No. 42	Water content of frozen or deep-frozen poultry — Examination of methods of determination: turkeys	1977	F E
No. 43	A prognosis and simulation model for the EC cereals market *Part I:* Bases, conception of the model and quantification of factors determining supply and price formation *Section I:* Theoretical bases and conception	1978	D
No. 44	A prognosis and simulation model for the EC cereals market *Part I:* Bases, conception of the model and quantification of factors determining supply and price formation *Section II:* Development and factors determining supply and cereal producer prices	1978	D E
No. 45	Cereals and meat in Eastern Europe *Section I:* Text	1978	D E
No. 46	Cereals and meat in Eastern Europe *Section II:* Tables	1978	D E
No. 47	The spreading of animal excrement on utilized agricultural areas of the Community I. Scientific bases for the limitation of quantities and criteria for rules thereon	1978	F N E
No. 48	The spreading of animal excrement on utilized agricultural areas of the Community II. Characterization of the region with intensive animal farming A. Report	1978	D
No. 49	The spreading of animal excrement on utilized agricultural areas of the Community II. Characterization of the region with intensive animal farming B. Statistical data: Basic regional data and coefficients	1978	D
No. 50	The spreading of animal excrement on utilized agricultural areas of the Community II. Characterization of the region with intensive animal farming C. Statistical data: Regional concentration of animal farming	1978	D
No. 51	The spreading of animal excrement on utilized agricultural areas of the Community III. Summary and conclusions	1978	N F E D
No. 52	The structural and socio-economic situation and development in the agricultural regions of the Community I. Report	1978	F
No. 53	The structural and socio-economic situation and development in the agricultural regions of the Community II. Explanatory annexes and statistical data by major regions	1978	F
No. 54	The structural and socio-economic situation and development in the agricultural regions of the Community III. The statistical data for the 376 districts on which the report is based	1978	F
No. 55	Possibilities for and constraints on the marketing of fruits and vegetables meeting defined quality standards	1978	F
No. 56	System of codification for forest reproductive material A. Text	1978	D F(1)
No. 57	System of codification for forest reproductive material B. Main Commodity Catalogue	1978	D

(1) In preparation

		Year	Languages
No. 58	System of codification for forest reproductive material C. Catalogue of Poplars of commercial value, Index of Provenances, Catalogue of Qualities, Index of Tree Species	1978	D
No. 59	Gross margins for agricultural products in the Italian regions	1978	I
No. 60	Additional Quality standards for chicken and eggs	1978	F
No. 61	Microbiology and shelf-life of chilled poultry carcasses	1978	E
No. 62	Effects on the environment of the abandonment of agricultural land	1979	D F(1) E
No. 63	Agricultural situation and food supply in certain Arab and Mediterranean countries and their foreseeable development I. Trends and prospects by area and by product	1979	F
No. 64	Agricultural situation and food supply in certain Arab and Mediterranean countries and their foreseeable development II. Methodological and statistical annexes	1979	F
No. 65	Projections for the agricultural sector — Forecasts of the trends in farm structures and factor input in agriculture in the EC II. Analysis and forecasts, empirical results — General part	1979	D E
No. 66	Projections for the agricultural sector — Forecasts of the trends in farm structures and factor input in agriculture in the EC III. Analysis and forecasts, empirical results — Report by country	1979	D E
No. 67	Water content of frozen or deep-frozen poultry Examination of methods of determination: Guinea-fowls and ducks	1979	F E
No. 68	Possibilities of reduction of the quantities of phyto-sanitary products employed in agriculture	1979	F
No. 69	Dehydratation of green fodder in the EC — Technical and economic study	1979	F
No. 70	Development of uniform methods for pig carcass classification in the EC	1979	E
No. 71	Water content of frozen or deep-frozen poultry — Comparison of methods of determination	1980	E F D(1)
No. 72	The problems of oriental tobacco production in the EC	1980	I F E(1)
No. 72	Maps		
No. 73	Factors influencing ownership, tenancy, mobility and use of farmland in Denmark	1980	E
No. 74	Factors influencing ownership, tenancy, mobility and use of farmland in the United Kingdom	1980	E

(1) In preparation.

Salgs- og abonnementskontorer · Vertriebsbüros · Γραφεῖα πωλήσεως · Sales Offices · Bureaux de vente · Uffici di vendita · Verkoopkantoren

Belgique — België

Moniteur belge — Belgisch Staatsblad

Rue de Louvain 40-42 — Leuvensestraat 40-42
1000 Bruxelles — 1000 Brussel
Tél. 512 00 26

Sous-dépôts — Agentschappen :

Librairie européenne — Europese Boekhandel
Rue de la Loi 244 — Wetstraat 244
1040 Bruxelles — 1040 Brussel

CREDOC

Rue de la Montagne 34 - Bte 11 — Bergstraat 34 - Bus 11
1000 Bruxelles — 1000 Brussel

Danmark

Schultz Forlag

Møntergade 21
1116 København K
Tlf (01) 12 11 95

Underagentur :

Europa Bøger
Gammel Torv 6 — Postbox 137
1004 København K
Tlf (01) 15 62 73

BR Deutschland

Verlag Bundesanzeiger

Breite Straße — Postfach 10 80 06
5000 Köln 1
Tel. (0221) 21 03 48
(Fernschreiber : Anzeiger Bonn 8 882 595)

Ἑλλάς

Γ Κ Ἐλευθερουδάκης Α.Ε

Νίκης 4
Ἀθήνα (126)
Τηλ. 3226323
Τέλεξ 219410 elef

Πρακτόρευση :

Βιβλιοπωλεῖο Μόλχο
ὁδός Τσιμισκῆ 10
Θεσσαλονίκη
Τηλ. 275 271
Τέλεξ 412885 limo

France

Service de vente en France des publications des Communautés européennes

Journal officiel

26, rue Desaix
75732 Paris Cedex 15
Tél (1) 578 61 39

« Service de documentation »

D.E.P.P. — Maison de l'Europe
37, rue des Francs-Bourgeois
75004 Paris
Tel. 887 96 50

Ireland

Government Publications

Sales Office
G.P.O. Arcade
Dublin 1

or by post

Stationery Office

Dublin 4
Tel 78 96 44

Italia

Libreria dello Stato

Piazza G. Verdi, 10
00198 Roma — Tel (6) 8508
Telex 62008

Nederland

Staatsdrukkerij- en uitgeverijbedrijf

Christoffel Plantijnstraat
Postbus 20014
2500EA 's-Gravenhage
Tel (070) 78 99 11

United Kingdom

H.M. Stationery Office

P O. Box 569
London SE1 9NH
Tel. (01) 928 69 77. ext. 365

España

Libreria Mundi-Prensa

Castelló 37
Madrid 1
Tel 275 46 55

Portugal

Livraria Bertrand, s.a r.l

Rua João de Deus — Venda Nova
Amadora
Tél. 97 45 71
Télex 12 709 — litran — p.

Schweiz - Suisse - Svizzera

Librairie Payot

6, rue Grenus
1211 Genève
Tél. 31 89 50

Sverige

Librairie C.E. Fritzes

Regeringsgatan 12
Box 16356
103 27 Stockholm
Tél 08-23 89 00

United States of America

European Community Information Service

2100 M Street, N.W.
Suite 707
Washington, D.C. 20 037
Tel (202) 862 95 00

Grand-Duché de Luxembourg

*
**

Andre lande · Andere Länder · Ἄλλες χῶρες · Other countries · Autres pays · Altri paesi · Andere landen

Kontoret for De europæiske Fællesskabers officielle Publikationer · Amt fur amtliche Veröffentlichungen der Europäischen Gemeinschaften · Ὑπηρεσία Ἐπισήμων Ἐκδόσεων τῶν Εὐρωπαϊκῶν Κοινοτήτων · Office for Official Publications of the European Communities · Office des publications officielles des Communautés européennes · Ufficio delle pubblicazioni ufficiali delle Comunità europee · Bureau voor officiële publikaties der Europese Gemeenschappen

L-2985 Luxembourg - 5, rue du Commerce · Boîte postale 1003 · Tél 49 00 81

BFR 250 DKR 48 DM 15,60 DRA 370 FF 36 IRL 4.20 LIT 7300 HFL 17 UKL 3.40 USD 8

OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

ISBN 92-825-2181-8

Boîte postale 1003 – Luxembourg

Catalogue number CB-NA-80-074-EN-C