

# **Review of Scotland's Starter Farm Initiative**



## **Tenant Insights on Scotland's Starter Farm Initiative**

## **Evaluation foreword by Henry Graham**

As chair of the Farming Opportunities for New Entrants (FONE) group, I am delighted to be given the opportunity to offer a reflection and to celebrate work achieved at the evaluation stage of the Starter Farm Programme. Supporting new entrants into the sector is vital for the sustainability of the industry, and this programme has offered ambitious young people the opportunity to get the essential experience they need to take the first step on the farming ladder. There has been considerable positive narrative around the programme and the value it has brought. It was therefore important to get an analysis of the tenants' perceptions of the initiative.

By way of background, it has been over ten years since I was first involved in the Starter Farm Programme on the then Forest Enterprise Scotland's (FES) National Estate. The Starter Farm Programme was part of the Repositioning Programme and this was designed to increase the social, economic, and environmental benefits from the large estate. Land was acquired to contribute to tree planting targets, but this also provided benefits for new entrants to agriculture.

I was pleased to be involved in the selection process for the nine starter unit tenants geographically located from Caithness in the north to Dumfriesshire in the south. The Scottish Government's Rural Payment and Inspections Division (RPID) also joined the programme with a Starter Unit near Inverness. The leases for the farms were 10 year Limited Duration Tenancies which, at that time, were considered longer than what was usually offered. Also, the farms were set up as part-time units because first-time new entrants rarely have the capital necessary to run full-time units.

From the selection process, we identified that most of the successful applicants had previously taken on some seasonal grazing. Building on this knowledge, the Farming Opportunities for New Entrants (FONE) group was created in 2016 to identify smaller areas of publicly owned land that could be offered on longer term leases. Forestry and Land Scotland; Scottish Water; Crown Estate Scotland; and East Lothian and Highland Councils all offered opportunities using a specific agreed selection process. To date, nearly 7,500 hectares of publicly owned land have been advertised, with over 82 new entrants taking up the opportunities offered. I am grateful to all FONE members for their continued efforts to make public land available and ongoing engagement as a group.

Not only has the Starter Farm Programme offered essential farming business experience for ten new entrant tenants, it has driven thinking into further new entrant focused policy. This is reflected in the work being undertaken through FONE. Additionally, the programme and this evaluation have given us the opportunity to reflect on both the successes and lessons to be learned, including foresight into where further focus should be placed to support new entrants into the sector.

My thanks go to the tenants, the landlords, and everyone involved in the programme over the years. A special thanks to Lorna Pate and Steven Thomson from Scotland's Rural College (SRUC) for obtaining the information and producing this report.

# **Review of Scotland's Starter Farm Initiative – Tenant Perspectives**

A report to the Scottish Government and FONE Group, funded through Underpinning Economic Advice for Policy within the RESAS 2022-27 Strategic Research Programme

**Lorna Pate & Steven Thomson, SRUC**

**March 2023**

**Acknowledgements:** We would like to thank each of the Starter Farm Tenants that agreed to be interviewed and offer their insights and perspectives on the initiative, its strengths, weaknesses, and opportunities for improvement. Without their time and personal insights this short evaluation would have been impossible. We are also grateful to Scottish Government officials and the FONE Group for guiding this work.

## Key Points:

- To help address the lack of opportunities for new entrants to farming in Scotland, Forestry and Land Scotland made 9 Starter Farm Units available to new entrants between 2012 and 2015. These, together with a further Starter Farm Unit made available by the Scottish Government's Rural Payments and Inspection Division, formed part of a wider Scottish Government initiative operating under the auspices of the Farming Opportunities for New Entrants (FONE) Group. The wider FONE initiative aimed to increase opportunities for new entrants on publicly owned land.
- All starter units were part-time in nature and tenants were given 10-year leases, with a 3-year extension provided due to the landlord instigating a strategic review of their Starter Farms.
- This research provides an evaluation of the Starter Farm tenant's perception of the initiative to feedback to the Scottish Government and the FONE group. 8 of 10 tenants were interviewed following a semi-structured interview process in summer 2022.
- The application process for leases was competitive with 77 total applications for the leases. All tenants interviewed had agricultural work experience, but none had a family opportunity to enter a farming business through succession or partnership. For many, the first step on the farming ladder came prior to the tenancy through agricultural contracting / seasonal lets / farm management roles.
- The main objectives for taking on the tenancy were to run a farm business, have an opportunity for progression, and wanting to build a business and have security. Initial expectations had largely been met, except for the tenancy acting as a stepping stone to another lease / ownership. Many alluded to having greater personal satisfaction because of their starter farm experience than in their previous roles, although they may now carry more financial concerns.
- On average, the tenants reported initial expected capital needs of c. £39k but generally had to spend considerably more. Funds were secured from loans, savings, overdrafts, livestock markets, and in some instances family members. Tenants had generally built-up fixed assets they would form the basis of any future tenancy / ownership opportunities – breeding livestock, tractors, machinery and equipment.
- Not all tenants were eligible for the full range of agricultural support payments at the outset of their lease. This was perceived to put them at a disadvantage in the industry. Moreover some believed that agri-environment climate scheme opportunities have been limited due to 5-year commitments and application rounds falling within 5-years of the initial lease termination date.
- The tenants have generally improved their personal and business skills through their experiences from the starter farm – and other business activities they undertake. The skills reported to have developed the most as a result of the tenancy included financial management, leadership, decision making, business confidence, marketing, and business and personal resilience skills.
- Nearly all of interviewees reported that they were 'emotionally invested' in the starter farm, treating it as if it were their own. Many felt fully embedded in their local

community through working and contract relationships with other local farmers, employing local people, children attending local schools, participating in and supporting local events, etc. That embeddedness (particularly where farm households are reliant on local off-farm income streams likely means that modern ties to part-time tenancies are stronger than historically where tenants may have been more mobile.

- Whilst, on average, there was relatively high scoring of landlord-tenant relationships some of the tenants reported the relationship had deteriorated over the duration of the tenancy. Many of the tenants suggested this was a consequence of changes in landlord personnel, and landlord communication style. Noting the potential for 'negativity bias' the tenants generally felt that their landlord had not been particularly helpful with capital investments and improvements to the holding / buildings.
- Whilst the strategic review 3-year extension to leases was generally well received the landlords were criticised for poor communications regarding lease terminations and rumours of possible tenancy extensions / recycling or sale of the units / that appeared to suggest different long-term opportunities amongst tenants. Specifically, clarity on the longer-term objectives of the landlord for the land was requested.
- As a result of the strategic review related extension all tenants had time left on their leases, one tenant had given notice (at time of interview) as they had taken on a larger unit.
- Only one tenant was confident that they would have been farming without the starter farm initiative and all tenants wanted to continue farming after their starter farm tenancy ends - one has now successfully moved up the farming ladder into a new tenancy. Half the tenants had applied for other tenancy opportunities, often being outbid on offered rents. There was an undertone that both the Scottish Government and the industry could do more to provide opportunities for the starter farmers – including through initiative like the land matching service.
- The majority of tenants would encourage other potential new entrants to take on a starter farm, and some even expressed that they would offer support to mentor new tenants – if the initiative was to continue.

## **Evidence to show if initiative objectives have been met**

### **Attract and develop new talent**

- The starter farms attracted much interest and were very desirable.
- Many tenants were technically not defined as new entrants in terms of CAP support, meaning they were ineligible for SRDP new entrant grants.
- Starter farms have provided a farming opportunity that many tenants may not have otherwise received.
- Only one tenant has moved on to the next step in their journey.
- There are many reasons why tenants are not actively looking for new tenancies and it is unclear what will happen at the end of their tenancies.
- There has been considerable development of a wide range of business and farming skills by all tenants
- Some tenants think that the success of the programme would depend on what happens next.
- Most tenants have greater personal satisfaction being a tenant farmer than in their previous roles.

### **Demonstrate the integration of farming and forestry in Scotland**

- Whilst tenants were asked about their plans for forestry integration at the outset, it appears that there has been limited opportunity for tenants to plant and manage trees.
- Almost all farms demonstrate that integration of forestry and farming can occur in the widest sense – that is existing publicly owned farmland can be split and used as starter farms and forestry side-by-side. However, true integration would provide opportunities for the starter tenants to plant and manage those woodlands.
- The farms have demonstrated that part time agricultural holdings can be developed adjacent to afforestation sites.
- It would appear there was limited opportunity/ tenant desire to engage in woodland management activities on planted lands.
- There was a strong feeling from some tenants that some of the farms will ultimately be planted and not relet – and that would suggest lack of integrated land use from publicly owned land with afforestation potential.

### **Recycle the units every 10 years to provide further opportunities for new entrants**

- All tenants received a 3-year lease extension due to the landlord undertaking a Strategic Review of their Starter Farms. This extension took place during the Covid pandemic meaning their lease period is extended to 13 years.
- There is no clear evidence that to show that starter farms will be re-let after the existing tenant's cycle-out.
- Most tenants believe tenancies will not be recycled, with farms being sold or planted with trees. Some see this as an opportunity to continue renting their house and (all/some) land.

- With the first starter farm tenant successfully progressing to the next step on the agricultural ladder (a new tenancy) there will be close scrutiny (at least by the remaining tenants) to see if the farm will be re-let to another new entrant.

## Table of Contents

|  |    |
|--|----|
| Introduction to Starter Farm Programme .....                         | 8  |
| Methodology .....  | 10 |
| About the tenants .....  | 11 |
| Changing family units .....  | 11 |
| Initial motivation to take on starter farm .....                     | 11 |
| Expectations.....  | 13 |
| Starter Farm Tenancy Application Process.....                        | 14 |
| The Farm Business .....  | 14 |
| Barriers to establishment .....                                      | 14 |
| Start-up capital.....  | 14 |
| Support payments .....   | 15 |
| Changes to the Farm during the Tenancy .....                         | 15 |
| Current finances .....   | 16 |
| Livestock and machinery investment.....                              | 18 |
| Labour .....   | 19 |
| The Tenants .....  | 20 |
| Skills development .....   | 20 |
| Attachment to farm and local community .....                         | 21 |
| Tenant landlord relations .....                                      | 21 |
| Moving-on .....  | 23 |
| Communication regarding end of tenancy.....                          | 23 |
| Applying for new tenancies .....                                     | 24 |
| Improvements to the Initiative.....                                  | 25 |
| What would the tenants do differently.....                           | 25 |
| Suggested improvements to starter tenancies .....                    | 26 |
| Suggested improvements to Government support for starter farms ..... | 26 |
| Reviewing agricultural/land use policies.....                        | 27 |
| Reflections on the Starter Farm Journey .....                        | 27 |
| The alternative pathway to the starter farms .....                   | 27 |
| Supporting others to take on a starter farm .....                    | 28 |
| Final Comments from the Tenants .....                                | 28 |
| Annex: Policy Implications.....                                      | 30 |
| Key Points .....   | 30 |
| Context .....  | 31 |
| Successes of the Initiative .....                                    | 31 |
| Skills .....   | 32 |
| Land Availability .....  | 32 |



## Introduction to Starter Farm Programme

It is well established that entry to and exit from farming are required to stimulate growth and innovation in agriculture by bringing in ‘new-blood’, new ideas, and new investment (see for example Cook et al 2009<sup>1</sup> in Scotland; Potter and Lobley, 1996<sup>2</sup> in England; ADAS, 2004<sup>3</sup> for the UK). However, start-up costs and access to land remain a significant barrier to new entrants – specifically to those new entrants with no succession routes into farming. Partly in response to initiatives such as the Tenant Farming Forum<sup>4</sup>, the Scottish Government endeavoured to address these new entrant barriers through agricultural tenancy reforms as part of the wider land reform agenda - as well as through new/young farmer start-up grants and direct agricultural support uplifts.

High land values are often considered an insurmountable barrier to land ownership for most new entrants to farming meaning there has been considerable policy emphasis on providing access to land through agricultural tenancies. The Land Reform (Scotland) Act 2003<sup>5</sup> Act, and subsequent Acts, introduced new forms of agricultural tenure that endeavoured to reinvigorate the tenancy sector and provide opportunities for those taking their first step on ‘the farming ladder’. However the rights to buy for secure (1991 Act) tenants afforded in the Land Reform (Scotland) Act 2003, mean there is a dwindling stock of traditional (secure 1991 Act) tenancies in Scotland.

The Agricultural Holdings Review Group (2104)<sup>6</sup> made a series of recommendations on how to deliver against the Scottish Government’s vision for “a Scottish tenant farming sector that is dynamic getting the best from the land and the people farming it, and provides opportunities for new entrants, forming part of a sustainable future for Scottish farming.” At the same time as the Review Group was formed 10 starter units on publicly owned land were created to address the lack of opportunities in Scotland for new entrants to farming. Nine of these units were on Scotland’s National Forests and Land (SNFL) managed by Forestry and Land Scotland (FLS) and one on the Rural Payments and Inspections Division (RPID) estate. These part-time units were created to provide a unique opportunity for new entrants “to get a start”. These starter units ranged from 46-175 hectares and were intended to be part-time units where supplementary off-farm income was required (see Figure 1 for how the tenants report the nature of their business).

---

<sup>1</sup> Slee, B., Cook, P., Grieve, J. and Williams, F. (2008) Barriers to New Entrants to Scottish Farming -An Industry Consultation for the Tenant Farming Forum. Aberdeen: Macaulay Institute.

<sup>2</sup> Potter, C. and Lobley, M. (1996), Unbroken Threads? Succession and its Effects on Family Farms in Britain. *Sociologia Ruralis*, 36: 286-306. <https://doi.org/10.1111/j.1467-9523.1996.tb00023.x>

<sup>3</sup> ADAS 2004, Entry to and exit from farming in the UK: final report. [Entry to and Exit from Farming in the United ... - ARCHIVE: Defra \(yumpu.com\)](#)

<sup>4</sup> Information on tenant farming <http://www.tenantfarmingforum.org.uk/tff/pubs.aspx>

<sup>5</sup> Land Reform (Scotland) Act 2003 [Land Reform \(Scotland\) Act 2003 \(legislation.gov.uk\)](#)

<sup>6</sup> Review of Agricultural Holdings legislation [Review of Agricultural Holdings Legislation \(webarchive.org.uk\)](#)

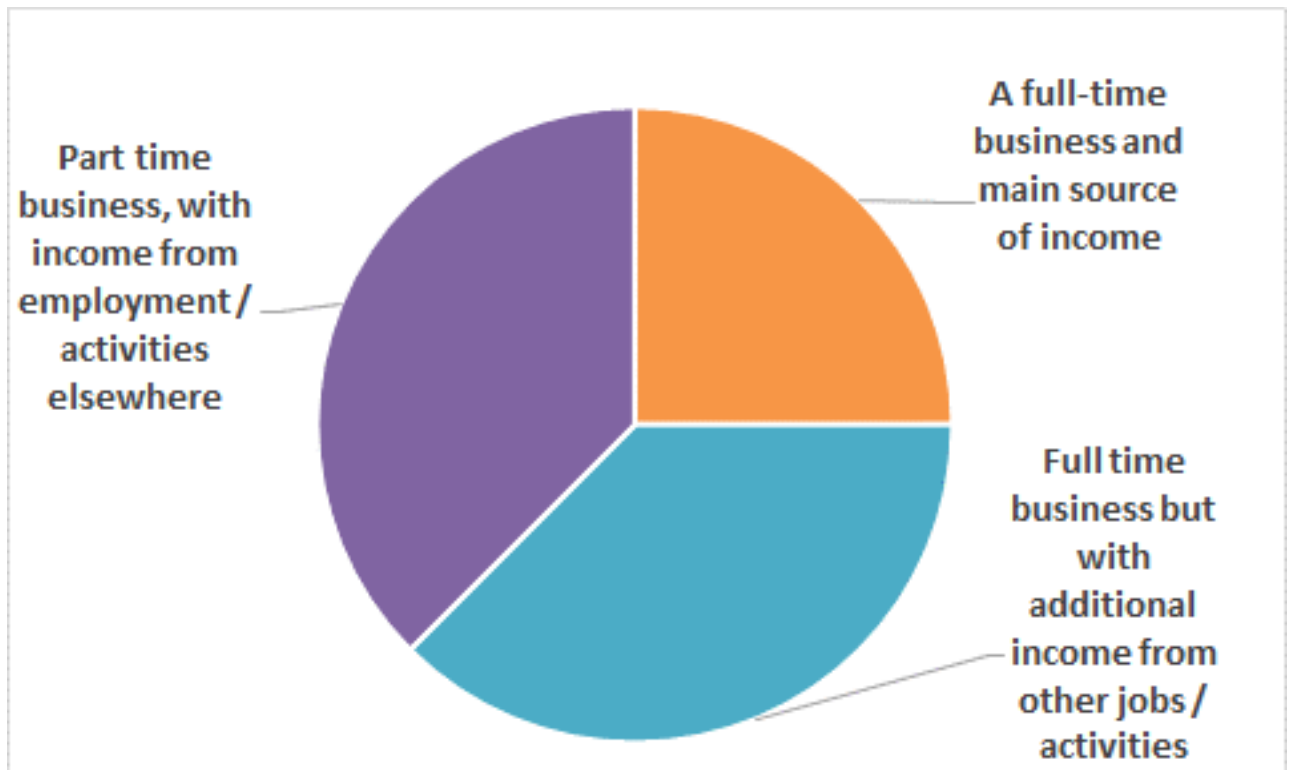


Figure 1 Nature of the farm business reported by tenants

Tenancies were established for 10 years with the expectation that the farm tenancies would be recycled every 10 years to provide a further 10 new starter tenants an opportunity to get established on the ‘farming ladder’. Due to a Strategic Review of Starter Farms by the landlord these first starter tenants were all given a 3-year extension to their leases.

To secure these tenancies prospective tenants had to go through a tendering process that involved presenting a 5-year business plan and attending an interview. 77 applications<sup>7</sup> for 10 starter farms demonstrates the level of demand for these units with the first lease awarded in October 2012 and the final lease awarded in October 2015<sup>8</sup> (see Table 1). This means that all the tenants are, at least, in the 8<sup>th</sup> year of their tenancy providing a useful timeframe for reflection of their starter farmer journey.

Table 1 details of starter farm tenancies

| Farm             | Hectares | Farm Type                      | Applications | Entry    |
|------------------|----------|--------------------------------|--------------|----------|
| Pitcairn         | 95.61    | Grassland                      | 7            | Oct 2012 |
| South Dundonald  | 51.19    | Arable (ex open cast)          | 5            | Oct 2012 |
| Carserigg        | 175      | Grassland (ex open cast) & RGR | 4            | Mar 2013 |
| Falgunzeon       | 48.55    | Grassland & RGR                | 8            | Apr 2013 |
| Upper Tullochbeg | 45.73    | Grassland                      | 8            | Apr 2013 |
| Glenside         | 63.92    | Grassland                      | 9            | Sep 2013 |

<sup>7</sup> Some applicants applied for multiple opportunities.

<sup>8</sup> Informal discussions with land agents suggest that around 10-12 applications would be expected for formal tenancies when they become available (2022).

|                |              |                           |           |          |
|----------------|--------------|---------------------------|-----------|----------|
| Rhynaclach     | 68.1         | Grassland                 | 18        | Sep 2013 |
| Achnamoine     | 100.68       | Grassland & RGR           | 5         | Apr 2015 |
| Woodfold       | 82.86        | Mixed arable/grass/RGR    | 7         | Oct 2015 |
| Balrobert      | 120.00       | Mixed/arable/grassland    | 6         | Sep 2014 |
| <b>Average</b> | <b>84 Ha</b> | <b>Total applications</b> | <b>77</b> |          |

The original stated objectives of the starter farms were to:

- Attract and develop new talent through providing an opportunity to farm and a base from which to build a business
- Demonstrate the integration of farming and forestry in Scotland
- Recycle the units every 10 years to provide further opportunities for new entrants

To date there has been no assessment of the outcomes of the initiative. This short evaluation, funded through the RESAS 2022-2027 Strategic Research Programme underpinning national capacity for support for policy, aims to provide some insights on the perceptions of the tenants from their starter farm experience to date.

## **Methodology**

The aim of this report was to assess the impact of the starter farm programme. More specifically to identify the benefits, challenges and impacts the tenancy has had on the tenants and their families. Following consultation with the FONE group a questionnaire was developed to elicit information from the tenants pertaining to their Starter Farm Initiative experiences, and their personal and business developments during their tenancy. In response to SRUC Social Science Ethics and RESAS (Scottish Government’s Rural and Environment Science and Analytical Services) adjustments were made to the questions to improve clarity. The information was gathered through telephone interviews following a semi-structured interview script. This approach enabled standard questions to be asked to each interviewee whilst allowing points raised to be explored in more depth, providing a mixture of both quantitative and qualitative data. All ten of the starter farmers were approached to take part in this evaluation and eight tenants agreed to participate. Interviews were carried out in summer 2022, these lasted between 45 minutes to over two hours. Due to the small sample size individual responses are not reported and all identifiable features have been removed.

It is noted that this report is unbalanced as it only reports tenant's experiences and their perception of tenant-landlord relationships. The report authors acknowledge the potential for participant biases (e.g. recall bias, negativity bias) to be embedded in some responses. Further, it is fully acknowledged that there is no feedback or comments from the landlords’ position.

## About the tenants

The tenants came from a range of agricultural backgrounds immediately before taking on their tenancy, including farm management, self-employed stockperson and agri-consultancy. Of the eight tenants interviewed half were under 30 years of age when they started their tenancies, two were between 31 and 40 whilst one was between 41 and 50. Five of the interviewees took on their tenancy with a spouse whilst three took it on alone. Half (4) of the interviewees had applied for other tenancies prior to their successful starter farm application, demonstrating the initiative indeed filled a gap. On average the interviewees had applied for four tenancies with some looking at many more than this.

All the interviewees had experience working on farms and whilst half were raised on family farms gaining experience through working on them, none of them had a family farm business to join / take over. Combined with working and running their starter farm, at least one tenant/partner on each farm also worked in a job related to agriculture to provide an additional income to that generated by the farm. In many cases this was stated as being “essential” off-farm income to support the household. Five of the eight interviewees had previously been engaged in agricultural contracting activities, and all but one had taken on seasonal grazings in the past – demonstrating common first steps on the ‘agriculture ladder’. Half of the tenants still utilised seasonal grazings and some had developed cooperative relationships with their neighbours - providing labour for each other in busy times.

## Changing family units

Many tenants’ family circumstances had changed since the start of their tenancy, with many getting married or having children. The benefits to family life of securing a tenancy compared to their existing grass lets was summed up by one tenant: “it was easier than seasonal grazing, as [it’s] in one place [seasonal grazings were geographically dispersed]...the house was near”.

## Initial motivation to take on starter farm

The main motivations given by interviewees to take on a starter farm tenancy were: (i) to run a farm business; (ii) wanting to prove themselves – seeing the opportunity for progression, and (iii) wanting to build a business and have security. Many alluded to, or directly commented that, they felt the starter farm was “a big opportunity” for them and their families.

Specifically, the tenants were asked to rate from 0 to 10 (where 0 = not important and 10 = extremely important) specific motivations for taking on their starter tenancy and whether their expectations had been met. Figure 2 shows the average score for motivations and

Figure 3 shows whether their initial expectations had been met on these issues. The results show that:

- **Building capital** was considered the most important motivation for taking on the starter farm with all interviewees scoring 8 and above, with 5 of the group scoring its importance as a 10. Seven interviewees felt that their expectations regarding capital had been met, whilst one was unsure.
- All interviewees said that a **stepping stone into another tenancy** was important with all scoring this question as 8 or above. Two said their expectations had been met but 5 didn't think their expectations had been met would be met, with most of them unsure that they would achieve the goal of another tenancy in the next 5 years.
- All interviewees, except one, rated **working for yourself** as an important motivation (five scored 10 – 'extremely important'). All of those that said this was important felt that their ambitions had been achieved. One interviewee felt that self-employment was not a particularly strong motivation for taking on the starter farm (score of 3) but reported that they were already working for themselves.
- All tenants scored **to develop a livelihood** as five or above with three tenants saying it was "extremely important" (10). Seven tenants said that their expectations had been achieved with one reporting that their expectations had not been achieved and they didn't expect it to be met within the next 5 years, some of which was put down to the challenges of farming.
- Answers varied for how important a motivation **gaining experience** was to with three scoring it a "10" and the remainder ranging from 5-8. All that answered said their expectations had been met.
- Farming lifestyle as a motivation had a varied response (ranging from 4-10 in importance). Some felt that they already had a farming lifestyle through their previous jobs or through their seasonal grazings. Everyone's expectations had been met.
- Using the starter farm as a **stepping stone into farm ownership** was considered extremely important (10) for three interviewees gave a scores of 5 or 10 (extremely important) for stepping stone into farm ownership – with none of them thinking that ambition will be met within the next 5 years. One person attached low importance to this motivation (1) and they were the only person whose expectations had been met. Those that commented on this question stated, or alluded, that buying a farm would not be realistic since high farmland prices mean it is unaffordable.
- A wide range of scores were attached to the importance of the starter farm as **a base for another business**. Two rated this as not important (0), whilst three interviewees rated it a 10. The five tenants that answered this question felt that their expectations had been met.

Figure 2 Importance of specific motivations for taking on starter tenancies

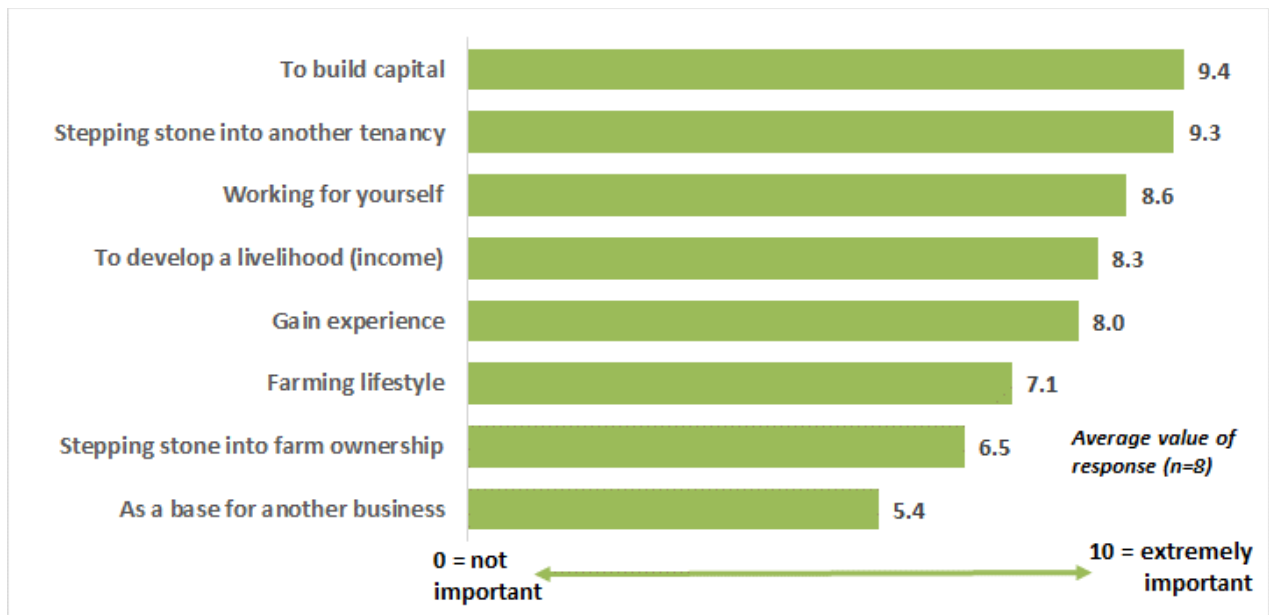
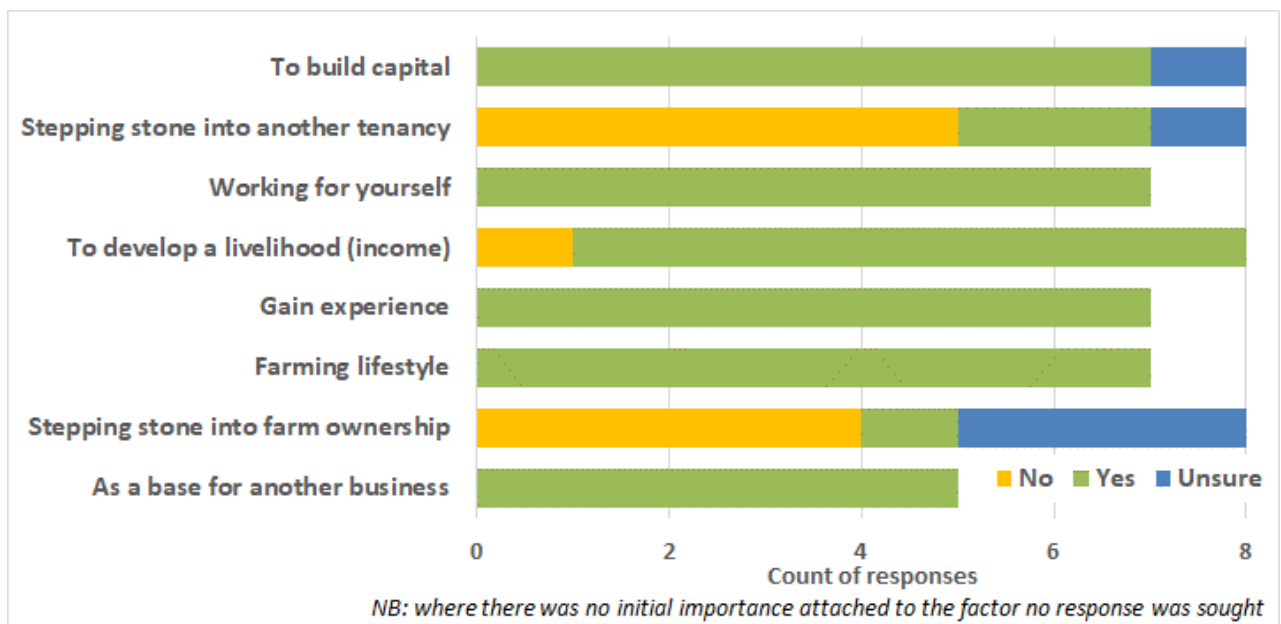


Figure 3 Whether expectations on initial starter farm motivations had been met



## Expectations

When asked “overall, has the starter farm met your expectations?” six respondents said “yes” and “two” said “no”. When asked what expectations haven’t been met responses included:

- “Probably hasn't met our expectations, but it's achieved things that we didn't expect, while it's missed on some things completely, by a ballpark. It has given us things that we

didn't expect at the same time, so it we have we achieved things that we didn't expect. Have we achieved what we wanted to achieve, probably not."

- "Some of the issues that we had going along have maybe stopped the development, I would ...say we... stagnated".

## Starter Farm Tenancy Application Process

Tenants rated the application process between 4 and 8 on a difficulty scale where 0 was not at all challenging and 10 was extremely difficult. Comments about the process ranged from "not overly challenging - consultant did what if scenarios for us" to "certainly stretched the brain - made you think about what you would do" and that "the interview process was incredibly in depth". Tenants that did most, or all, of the application themselves found it easier than those that paid for help. More than half the tenants interviewed had help with preparing their application, most commonly from a business consultant/land agent.

Nearly all interviewees had prepared cashflows, enterprise budgets and balance sheets prior to applying for the starter farm. Some commented that the process used on the starter farms differed from other tenancies they had applied for, with more information needed about financial projections for the Starter Farm. Further, some reported a more in depth "grilling" at the interview (where the panel "knew our tender inside and out") compared to other tender processes, that were more focused on the "how much rent you would pay".

The cost of the tenancy application process was also raised as a problem, with some estimating that it could have cost some applicants in the region of £3,000 to pay someone to prepare their application. One suggestion about how this process could be improved was to split it into two stages so only when the applicant(s) got to stage two would they need to produce in depth financial details.

## The Farm Business

### Barriers to establishment

When generally discussing the start-up of their farm business the most commonly cited barriers reported were (i) finance; it was hard to find and was expensive (if obtained from non-bank sources); (ii) the lack of opportunities to obtain secure and affordable land; and (iii) challenges finding reliable hard-working people.

### Start-up capital

From four interviewees willing to reveal financial details their initial expected investments on farms ranged from around £5k to £60k (£39k on average). Across all tenants the main sources of their initial investments were overdrafts (7) followed by loans (4), savings (4) and less often family (2). All interviewees had to invest more (sometimes significantly more) than they expected to get the farm business established (£31k on average from the 4 interviewees willing to divulge details). The extra investment capital was sourced from

overdrafts, banks and agricultural markets (funding livestock purchases). The most common initial expenses were livestock, machinery, legal fees and working capital. One tenant also bought entitlements. When asked why they chose to initially invest in these areas the answers included “necessity”, “can’t farm without it” “can’t do a lot without that kind of stuff”.

### Support payments

All of the tenant farmers interviewed now receive direct CAP support, although some land is farmed without entitlement (beyond their tenancy). However, none received direct CAP support at the start of their tenancies. Seven of the tenants received direct CAP support in their second and third years and one had bought their entitlements on the open market.

Six have received LFASS (Less Favoured Area Support Scheme) payments, the other two were ineligible. Those with cattle received the suckler beef support scheme. One tenant had an AECS (Agri Environment Climate Scheme) contract however many reported that they were ineligible in recent AECS rounds (Agri Environment Climate Scheme) as they did not have enough time left on their tenancies. The tenancies were extended after the AECS deadline which would have resulted in enough time on the tenancies for many to apply to the AECS scheme. Some felt that they did not have land, features and habitats that would have been appropriate for many AECS options<sup>9</sup>. Some commented that the land planted on their original tenancy may have been more appropriate for AECS measures. No one interviewed had received a new entrant loan as they did not meet the eligibility criteria<sup>10</sup>. Three did, however, receive a new entrant grant, but the others stated they were not eligible<sup>11</sup>. No interviewees had received any forestry grants.

### Changes to the Farm during the Tenancy

#### Land farmed

Just under half of the tenants interviewed had experienced changes to the amount of land that they farmed in their starter tenancy. The majority of these were expected changes arising from planned afforestation on parts of their farm after their tenancy started. Most tenants were now renting-in more land (including through SLDT (Short Limited Duration Tenancy)) since they started their starter farm tenancy (six of eight reported seasonal lets averaging c. 50 Ha), with one leasing considerably more land than their tenancy.

Some tenants reported that they had increased the quantities of land that they had taken on. For others the starter farm tenancy meant that they did not have to take as many seasonal lettings. Some were also involved in contract farming agreements. All tenants reported that they had invested in the land that they farmed, with nearly all saying that they

---

<sup>9</sup> See: AECS on rural payments website [Agri-Environment Climate Scheme \(ruralpayments.org\)](https://ruralpayments.org)

<sup>10</sup> See rural payments website [Young Farmers and New Entrants Start-Up Grant Schemes \(ruralpayments.org\)](https://ruralpayments.org)

<sup>11</sup> See rural payments website [New Entrants Capital Grant Scheme \(ruralpayments.org\)](https://ruralpayments.org)



had undertaken a programme of reseeded and a few farms had undergone significant changes to the quantities of crops being grown.

Many (6) said that they had made changes to their businesses compared to their business plans. When asked what the major changes were, tenants provided a little detail; there were changes in enterprises: from arable to sheep and one added a cattle enterprise that were not originally part of the plan in response to Brexit predictions. A few changed the breeds of livestock that they had on the farm due to them not performing as well as expected. One farm farmed less extensively than planned with silage being taken to improve their cow herd, whilst another went from indoor lambing to outdoor lambing. Many talked throughout the interview about the investments that they have made to improve the nutrients, soil and grass on farm.

The majority felt that the profitability per hectare had increased since they took over their farms, one felt that the profitability had decreased as a result of the “cost of everything”. Many farmers were contracting and had off farm jobs, others had diversified their farm businesses adding new enterprises including selling chickens to smallholders and direct selling turkeys at Christmas and boxed pork (helping business profitability). One had undertaken a range of courses to upskill to diversify their own business.

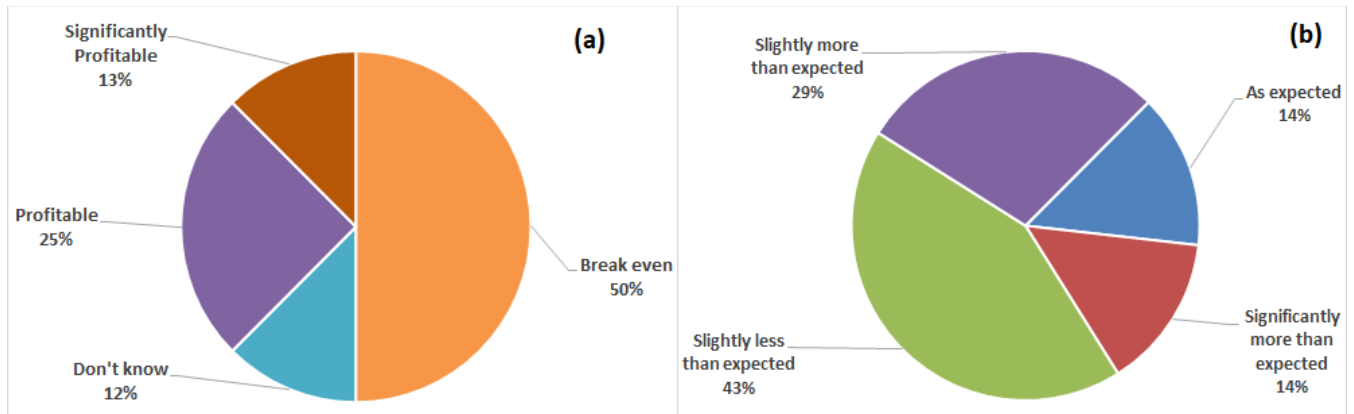
### **Current finances**

Due to the small sample numbers from a research ethics perspective tenants could not be asked about their absolute financial situation as they would have been identifiable. Instead, a range of questions were devised to give an indication as to how successful the farm businesses were.

#### **Profitability**

Using a three-year average for starter farm profit/loss four of the tenants reported a ‘break even’ position, two reported they were ‘profitable’, one was ‘significantly profitable’ and one ‘didn’t know’ (see Figure 4). Three felt that their profitability was ‘significantly less than expected’, two said ‘slightly more than expected’, with one for each ‘as expected’ and ‘significantly more than expected’.

Figure 4 (a) 3-year average profitability and (b) profit expectations of starter farm businesses



The barriers that were stated as hindering the tenants reaching their expected profitability were input prices, lack of margin, more investment required than expected. One tenant stated they were, “playing catch up” whilst another felt that it “went better than expected” and another commented that “could have been more profitable if [we’d] been allowed to invest”.

The majority stated that their cashflow was ‘neither good nor poor’ (4), three as ‘good’ and one ‘very good’. Three described their long-term debt position as ‘neither poor nor good’, two ‘good’, two ‘very good’ and one ‘very poor’.

Four of the starter farms reported that they were returning “just enough” profit for their family needs whereas for three profits were “not adequate”. Four were also generating “just enough” profit for capital accumulation, whilst profits were “not adequate” for capital accumulation for two tenants, whilst one reported “more than enough” profit to build capital.

### Borrowings

Table 2 shows the types of external finance that the tenants used within their business, the main uses of that debt and whether the farm can service that debt. Bank loans were used by seven of the eight tenants interviewed, largely to purchase machinery and livestock, with only four certain that the farm business alone could service the debt. Six of eight were using hire purchase agreements for machinery, with four of those six certain their farm could service that debt. Overdrafts were used by six of the eight businesses for working capital, with three reporting they could service their overdraft from the farm business.

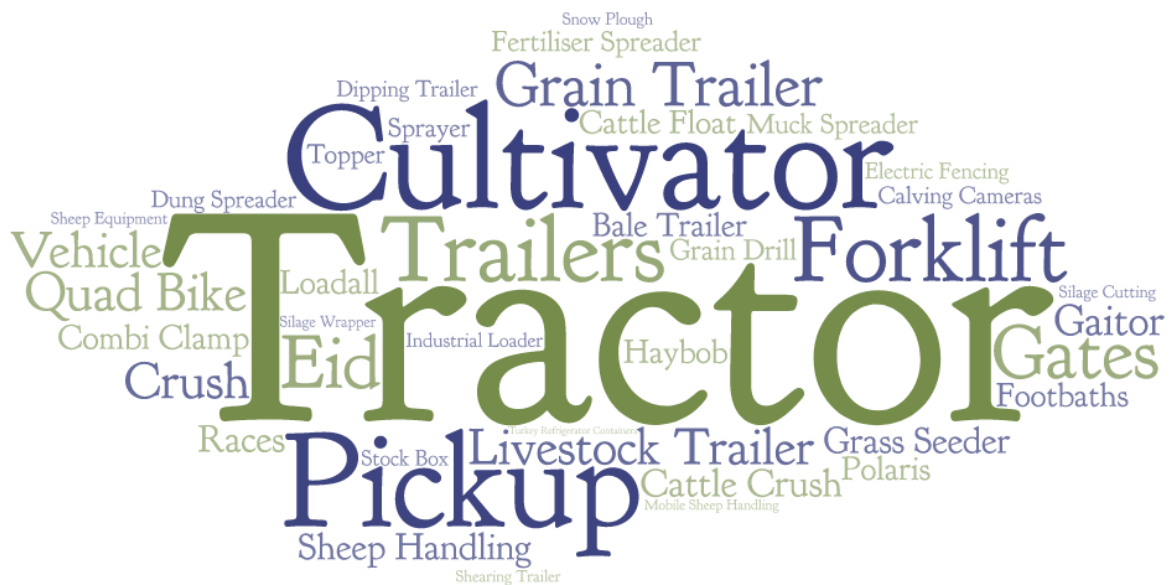
Table 2 frequency and use of different forms of finance

| Type                     | Number of tenants | Use  | Can the farm alone service this debt? |
|--------------------------|-------------------|--|---------------------------------------|
| Bank loans               | 7                 | Machinery, buy more stock, covid bounce back loans | Yes: 4<br>Not sure: 1<br>No: 2        |
| Hire purchase agreements | 6                 | Machinery  | Yes: 4<br>Not sure: 1<br>No: 1        |
| Overdrafts               | 6                 | Working capital                                    | Yes: 3<br>Not sure: 1<br>No: 2        |
| Credit card              | 2                 | Fuel   | Yes: 1<br>Not sure: 1<br>No: 0        |

### Livestock and machinery investment

Three of the tenants interviewed had little or no machinery at the start of their tenancy whilst the remainder had built up varying amounts of machinery. Most had made significant investments in machinery throughout their time on the starter farms with one stating machinery expenditure was “probably 10 times what I budgeted for”. The most common items that were bought are shown in Figure 5 and included: tractors (11 in total), trailers (of varying kinds including grain trailers, livestock trailers, bale trailers), handling systems and gates, forklifts, quad bikes and vehicles e.g. pickups. There were large variations in the quantity of machinery across the farms, but it should be noted that on some farms much of this machinery was used for contracting.

Figure 5 Word cloud of starter farm machinery investment



All tenants came to their tenancy owning some livestock, two tenants started with cattle and an additional five have added them onto their farms since the start of their tenancy - resulting in an increase in cattle numbers from 100 head to over 300 head now. The number of sheep on some farms have increased significantly with most farms more than doubling their flock size since entering the tenancy. A few tenants reported that they had moved from commercial sheep to investing in pedigree animals. Two farms had added commercial poultry enterprises to their businesses, and one had pigs.

## Labour

Three of the interviewees described their employment on the starter farm as “full time”, four as “part time” and one as “casual”. When asked to describe the quantity of time spent working on the farm this ranged from less than 10% to 100% full time equivalent (FTE). Only one interviewee (from five) said that there was no change to the time they spent working on the farm, whilst the majority said their time on the starter farm had reduced compared to when they took it on.

All interviewees that answered felt that their spouse worked “part time” on the farm with estimates of between 20% and 50% FTE given. Living circumstances meant that only one spouse worked more on the farm than at the start of the tenancy. The main reason for spouses, generally women were working less now on the farm than before was due them providing childcare or off farm income from employment elsewhere. No other family members were working on the starter farms. Less than half said they had additional employed labour on the farm, and where there was it was mostly part-time. One interviewee explained that they wanted to give other new entrants opportunities so “our

pledge was to use other new entrants - so like the scanner was a new entrant, the shearer was a new entrant.”

## The Tenants

### Skills development

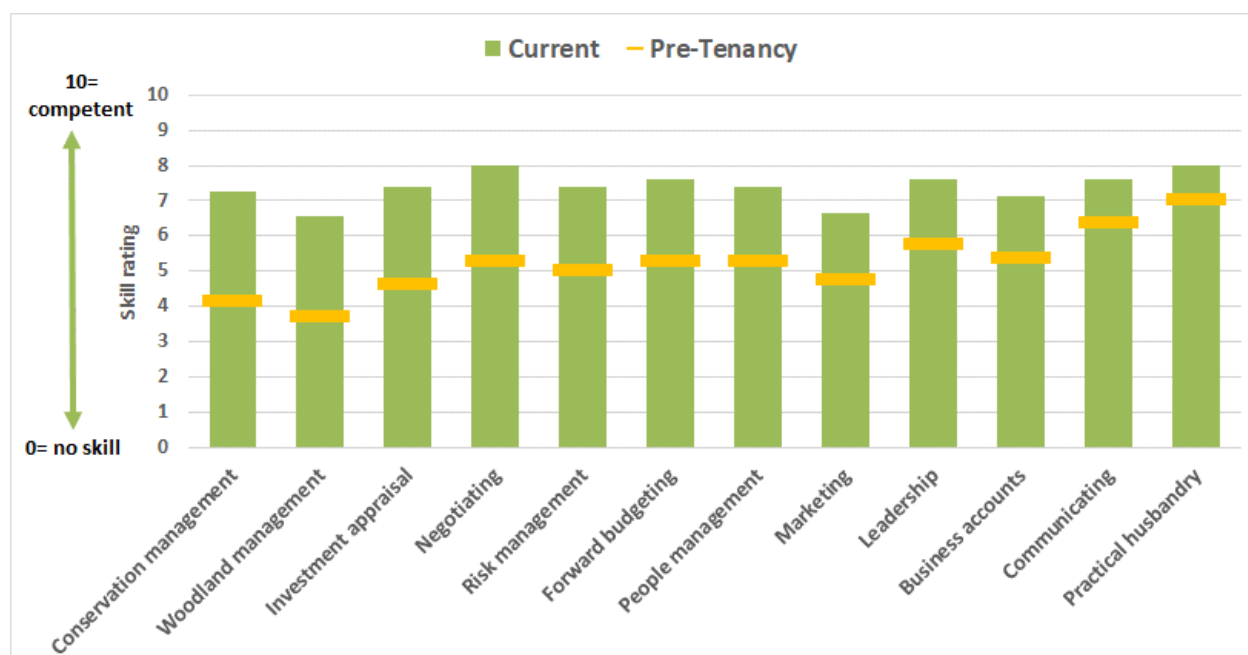
Figure 6 reveals the average rating (on a scale of 0-10) of a range of business skills pre-tenancy and at the point of the interview. Whilst across all skills the average rating has increased there were notable exceptions where the interviewees thought that the more they learned of a skill, the less they rated their competence level. Overall, pre-tenancy the tenants reported highest levels of competency in ‘practical husbandry’ (7.0), communicating (6.4) and leadership (5.8) whilst the lowest average ranked skills related to woodland management (3.7), conservation management (4.1) and investment appraisal (4.6). Whilst husbandry skills currently remain highly ranked on average (8.0), negotiating skills (8.0), forward budgeting (7.6) communicating (7.6) and leadership (7.6) also rank highly.

The general improvement in the range of skills is apparent, with the listed skills in Figure 6 ranked based on relative average improvement as reported by interviewees. However, there are a mix of factors that affect personal development and these changes were not always attributable, or fully attributable, to the starter farm tenancy. For example, respondents often could link skills improvements to the tenancy but also from personal growth from contract farming, training courses and off farm jobs.

When asked which personal improvements each of the interviewees had developed the most as a result of the tenancy the most common answers related to the financial management of the business, but included leadership skills, decision making, business confidence, marketing and business and personal resilience.

Most of the interviewees (6 of 8) had attended Farm Advisory Service (FAS) meetings and Monitor Farms, whilst half had used the FAS New Entrants service. Three had attended / used Farming for a Better Climate meetings and resources and one engaged with Farm North East.

Figure 6 Ratings of pre-tenancy and current tenant skills



### Attachment to farm and local community

Nearly all of interviewees felt that they had ‘emotionally invested’ in the starter farm. Seven said they ‘treated the farm as if it were their own’. Seven interviewees felt that they were now part of the local community and felt embedded in it. Examples of community embeddedness that were discussed throughout the interviews included cooperative working relationships with other local farmers, contract farming relationships on local land, contracting, employing local people, children attending local schools, participating in and supporting local events, etc.

“Embeddedness with communities, particularly where children are attending local schools and farm households are reliant on local off-farm job / local contracting as income streams, likely means that modern ties to part-time tenancies are stronger than historically where tenants may have been more mobile”.

**Steven Thomson, Reader in Agricultural Economics and Policy ,SRUC**

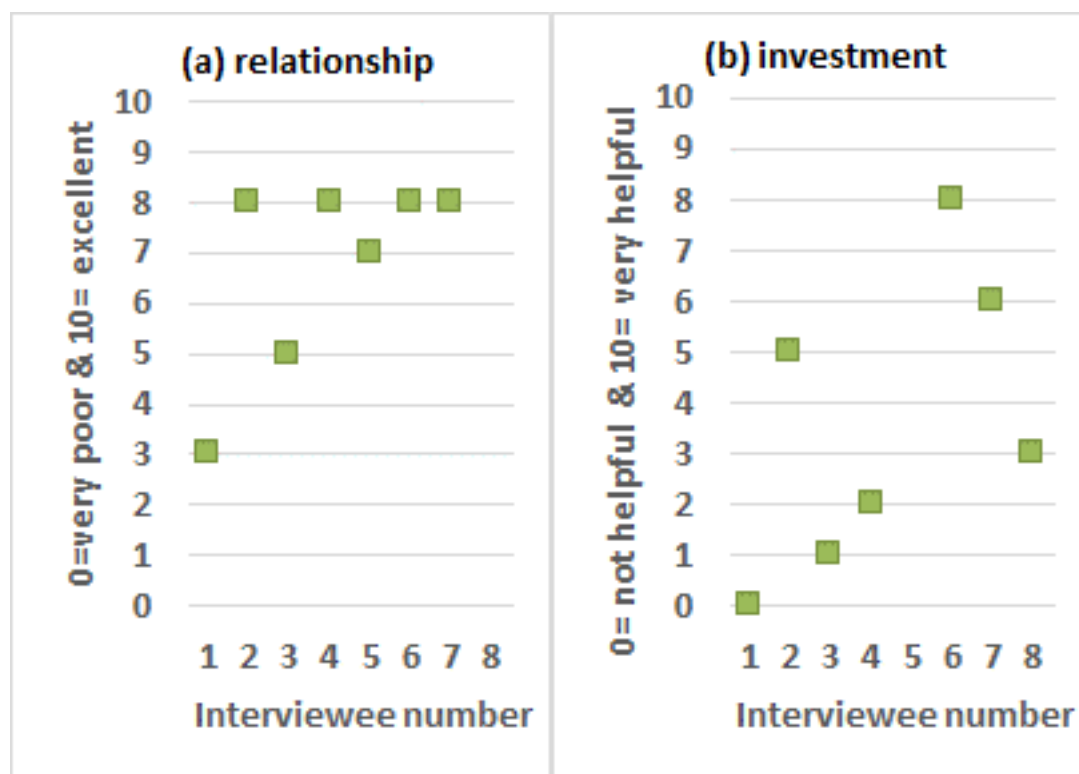
### Tenant landlord relations

Views on tenant-landlord relations varied , with interviewees rating them from 3 to 8 (average 6.7) where 0 was very poor and 10 was excellent (see Figure 7). The majority felt that the frequency of contact was ‘about right’ but a couple felt there should have been more landlord communications. There was also a mixed response about whether relationships with the landlord had ‘got worse’ (3), ‘stayed the same’ (3) or ‘got better’ (2).

The majority felt that the landlord had not been particularly helpful in dealing with capital investments/landlord improvements (average score of 3.7 where 0 was not at all helpful and 10 was extremely helpful - but ranging from 0 to 8 in scores). Only one tenant said they

had been involved in exploring a collaborative opportunity, but this was initiated by them. Two complained of proposals and ideas that were discussed that have never materialised.

Figure 7 distribution of ranking landlord relationship and support for investment in holding



It is uncertain what the tenants' expectations or experiences were of tenant-landlord relations. However, there was an undertone that there was greater landlord attention and efforts in the first few years, but as time progressed some tenants felt that attention waned – although that was not a universal perception. Around half of those interviewed felt that in the first few years that the landlord was keener to help than in later years. For example one tenant noted that “When we went into the farm it [landlord relationship] was good but now it is grinding to a halt. No money in government departments to do things so they leave us to get on with things, which is good, but repairs to buildings and stuff is very slow.” Another added that in “the first year they would fall over themselves to help us and were quite understanding and if you showed them the problem, they would do their best to try and help you fix it or at least understand it. Now, they couldn't really give a damn”. On the other hand one tenant observed that “They know me and I know them, they don't bother me and I don't bother them – we've learnt to work together.”

One tenant explained that the time to get things fixed was slow as the landlord struggles to get contractors and the ones they get “are pretty awful”, resulting in them sorting/fixing problems themselves. Another commented that “Quite honestly you don't ask for stuff, basically it's a waste of breath”.

A few tenants felt that a contributing factors for this change related to available finance with comments that: “[the landlord] has no money... to do things so they leave us to get on” and “it’s like they have spent all the allocated money”. Others felt that changes in landlord dealings was political: “we have fallen down the priority list” and “I feel our landlord doesn’t want to be a landlord – it’s not run like an estate.” Others thought that reported changes in the relationship was a result of the change in contact person with comments such as “different agents made it difficult to establish a relationship” and that “it [the relationship] has gone from someone very open...[to] the change of guard, it was quite different”.

One tenant felt that their landlord, and employees, lacked empathy for the tenant’s position, noting that “employees go home on a Friday night, they switch off and that’s them till Monday and farmers don’t get that. We live and breathe on the place that we’re renting and it is our livelihood as well as our life, and they don’t seem to get that sometimes. So when we take things a bit personally, it’s because there are impacting us on a day-to-day basis.”

Most interviewees felt that they had done their best to work with the landlord and “tried to be positive” and that they “have done everything they [the landlord] have asked us to do”. Despite many of the tenants having some negative comments regarding their landlord a couple were more content, with one noting that the “relationship is quite favourable both ways” and that there was “very little” more the landlord could have done to support them.

## Moving-on

### Communication regarding end of tenancy

Whilst the tenancy agreements were always known to be for a fixed 10-year period, during the Covid pandemic tenants were informed of a 3-year extension to their tenancy due to the landlord instigating a review of their Starter Farms. Further, during this period discussions about the future of the Starter Farm Initiative took place in trade press.

Some of the tenants suggested that the landlords could have been more proactive and clearer with communications – particularly regarding the Strategic Review related extensions and lease termination dates<sup>12</sup>. “Communication could be better around end dates”. There remains angst about the future of these farms as tenancies and if the Starter Farm Initiative has run its course with feedback that there has been a lack “clarity on what they [FLS] actually want to do [with the farms]” which makes “it difficult to know where we stand” or how to “talk about next steps”.

---

<sup>12</sup> Scottish Government (2022) provided access to the letter that stated: “This review will identify any opportunities for sitting tenants to buy or lease (on an MLDT) the farm or whether FLS will take it back in hand” adding from the new lease end date the “farm will no longer be regarded as a ‘starter farm’”.



One tenant said that they felt that the end of the initiative (as indicated on FLS website<sup>13</sup>) being communicated to them via the front page of the Scottish farmer<sup>14</sup> was “very badly handled... and unprofessional” and when it “kicked off nobody communicated with us”. Others, however, gave their landlord the benefit of the doubt noting “there hasn’t been a great deal of clarity but they will be waiting on answers” and they [FLS] “have done fine”.

Around half interviewed thought their tenancy would be further extended beyond the 3-year extension. Reasons given for this answer included that the landlord “said they would be speaking to us individually – they did mention extending the lease or even selling [to us]” with another tenant adding there are “rumours that some units will be sold” and that they [the landlord] “said they will either re-let, take back in hand or there is an option to purchase”. Others felt that they would not get their lease extended “no intention of extending it...already told us that”.

The most common perception was that the landlord would be reviewing each farm in the autumn of 2022, but interviewees suggested that not all of the tenants would be offered the same opportunities (i.e. to purchase or further tenancy extension). Some also felt that the landlord was not actually sure themselves what they were going to do with the land.

### Applying for new tenancies

All tenants wanted to continue farming and were prepared to take on another tenancy – with an average score of 7.1 when asked on a scale of 1-10 whether they would continue to farm after the tenancy ends. Only three had an existing exit strategy due to their reported stage of their current tenancy. Half had already applied for other tenancy opportunities, with one successfully securing a new tenancy – thereby taking the next step on the ‘agricultural ladder’. Other tenants that were actively looking for tenancy opportunities had applied for 1-2 each and had been unsuccessful to date. The tenants reported that they were generally outbid on rent offerings, and in one case the tenant was not considered a good fit by the tenancy panel.

Those that had not applied for tenancies noted that lack of active searching was because they still had time on their current tenancy- “if we hadn’t got the extension we would have been actively looking”. Many of this group remained uncertain about potential opportunities that could come from their current starter farm tenancy with some believing they might get the chance to continue their tenancy or buy their farm. A further reason

---

<sup>13</sup> “We will not be offering any new starter farm opportunities” accessed on 03/09/2022 [Agriculture opportunities - Forestry and Land Scotland](#)

<sup>14</sup> *Forestry body pulls plug on its ‘Starter Farm’ Programme* 20/01/2022 [Forestry body pulls plug on its ‘Starter Farm’ programme | The Scottish Farmer](#)

tenants hadn't applied for other tenancies was that not many tenancies have been coming onto the open market.

Nearly all tenants would consider the option to buy their starter farm, however, most said that it would depend on whether they could afford it.

### Land Matching Service

Just over half the interviewees had registered with the land matching service (LMS), with others looking at it but not registering and one did not know about it. One tenant said they had been successful in realising an opportunity through the land matching service. Some felt that there were not many opportunities and other volunteered that "it was a great idea in essence" however there remain barriers to land availability in LMS<sup>15</sup>.

There was concern voiced by one tenant that industry (land agents, lawyers, accounts, etc.) engagement in the LMS had deteriorated since the Scottish Government had taken control of the service from NFUS. "[Historically] they would give some free advice and some help... for the person offering the opportunity as well as the person looking for the opportunity. Since Scottish Government took it over, all that fell by the wayside because Scottish Government can't be seen to be teaming up with private companies."

## Improvements to the Initiative

### What would the tenants do differently

When asked what they would do differently some said they wouldn't change anything – implying that they are content with the opportunity that the initiative has afforded them. Others suggested they would change how they farmed for example "investing more in breeding stock rather than trading" or tweaking their crop or stock management choices. Others suggested that in hindsight they would "build capital other than trying to farm – having a deposit".

Throughout the interviews some interviewees suggested in hindsight having a mentor would be something they would do differently. For example, one offered: "I think it would have been nice if you maybe had an appointed mentor. "XY" was great...he would always touch base with us, he would sit down with us around the table".

One tenant pointed to the financial and emotional challenges of becoming a new entrant and was uncertain if they would do it again in hindsight: "Wouldn't do it probably... realistically, we've had some really good times and here and we've had some great successes and we've had a hell of a lot of bad times and a kicking in the process. That's all part of the learning curve and that's how you learn...It's been a pretty big financial and emotional drain on me."

---

<sup>15</sup> Website for Scottish Land Matching Service [Farmers | Scottish Land Matching Service \(slms.scot\)](https://www.farmers.scot.nhs.uk/land-matching-service/)

## Suggested improvements to starter tenancies

When asked how starter tenancies could be improved six key areas for improvement were identified by the tenants (unprompted):

- (i) Having places for tenants to move on to.
- (ii) Longer tenancy durations.
- (iii) Larger farm availability.
- (iv) Making sure tenants can access support payments.
- (v) Openness, and transparency about the opportunities at the end of tenancy.
- (vi) More starter tenancies available.

Many were disappointed by the lack of tenancies on the market currently and in the past few years, resulting in very few opportunities for them to uptake and mov-on from the starter farm. One offered that there is “nowhere to go after tenancies... the private sector hasn’t stepped up the table and said here is the 400 acre tenancy [for the next step on the ladder].” Some felt that more could have been done to encourage land owners to take-on the ‘starter farmers’ after their tenancies were finished. One tenant commented that “They effectively lined us up to be the next generation of tenants. I think that that was quite bad, but maybe they were maybe doing this in the background and we didn’t know...they could have gone to see the Crown (estates) or Buccleuch (estates) and said, right, this is this is who we think are our top two or three tenants and have you got any tenancies coming up? ...will you help push them?. But I suspect that didn’t happen.”

Some tenants felt that a longer tenancy would have been beneficial and suggestions ranged from 15-25 years and this sentiment explains feelings around the duration of the starter farm tenancies: “10 years isn’t a long time to find your feet, [dealing with] poor weather, skeletons in closet that weren’t in business plan appear.” Larger farms were also a suggested improvement. Some felt that if they had known that there could be opportunities to purchase the farm or continue in the farm as a tenant they may have approached things differently: “We would have farmed differently if we had realised the opportunities at the end [potential to buy the farm or continue renting].” This sentiment is backed up by many comments on making tenant improvements as the tenancy termination date came closer on the horizon. For example: “We have got an end date in 202X and we have to be very careful that we don’t put too much [money] into the farm. We would love to redo and update the sheds and other things on the farm. You are not encouraged if in 202X someone [else] will get the benefit of that”.

## Suggested improvements to Government support for starter farms

Interviewees suggested that the Scottish Government should: (i) provide greater clarity about the direction of new entrant policies (ii) review agriculture/tenancy legislation; (iii) seek to provide opportunities after for the next rung on the farming ladder after the tenancies end by encouraging others to provide new entrants opportunities; (iv) a review of new entrant funding and rigid eligibility criteria.

Some tenants did not receive support payments that they thought they may have been eligible for. For example some fell foul of rigid EU 'new entrant' definitions that made them ineligible for young/new entrant grants and loans as. Ineligibility occurred as they already had a business reference number "because we had been sort of like technically farming, even though it at that point it was a hobby. So I think that's sort of definition cost us £90K, it would have made life a lot easier". Further many did not have access to Single Farm Payment (SFP) / Basic Payment Scheme (BPS) support at the start of their tenancy. One commented that the Scottish Government "have to make sure these people can get BPS (Basic Payment Scheme). Make sure they have access to things other farmers have access to. In our most important year we didn't have single farm payment."

Government backed loans were suggested by a few as a way that Government could further support new entrants and starter farms. One comment reflected that "funding is never the easiest to get when you're a tenant farmer. The banks don't look at you favourably... there need to be some financial backing or support for the banks.... If they can't make land available guarantor funding would help."

### **Reviewing agricultural/land use policies**

Throughout the course of the interviews all tenants raised the challenges that the current land use and agricultural tenure legislation had on their abilities to secure another tenancy, with one referring to it as "the elephant in the room". Tenants collectively felt that reviewing the current policies would enhance opportunities available to them, and others within the agricultural sector. Policies that were specifically discussed as needing to be reviewed included: (i) the absolute right to buy; (ii) tree planting; (iii) tenancy assignation; and (iii) new entrant policies.

## **Reflections on the Starter Farm Journey**

### **The alternative pathway to the starter farms**

The tenants were asked to rate (on a scale of 0-10 where 0 was definitely not and 10 was definitely) if they thought they would be farming in their own right now without the starter farm initiative. One was clear that they would be farming regardless of the initiative (score 8) with five tenants uncertain / verging to unlikely (scoring 3-5) with two of the tenants certain they would not be farming on their own right without the starter farm (scoring 0 -1).

There were many interesting views expressed on what they would now be doing without their starter farm tenancy. Four said that if they didn't get the starter tenancy they would be working in jobs connected to the agricultural sector, three said they would be continuing with their seasonal lets, two said they would be trying to get a tenancy. One also said that they would have considered leaving the industry all together.

When asked how being a tenant farmer differed from the alternatives the general consensus was that it would be less stressful, they would have a better work-life balance,

for some they would be financially better off however they would have less personal satisfaction than being a tenant farmer. For example:

- “Working as XXX and we would be in a stronger position. Personal achievement and satisfaction would not be as high. This is what we want to do.”
- “I probably wouldn’t say I struggle to fall asleep at night because I’ve got so much debt around my neck. On the whole, I’m probably happier doing what I’m doing now.”
- “If [I was still] farming seasonal lets I think I would be less financially stable and probably that would have lead to less personal satisfaction. I may have left the industry.”
- “I’d still be doing seasonal lets and trying to get a tenancy and doing XXX – I enjoy [the starter farm tenancy] that far more than previous job. I have far more stock and machinery than I would have had but less liquid cash.”

### Supporting others to take on a starter farm

Encouragingly, the majority of interviewees would encourage other potential new entrants to take on a starter farm with five answering “10 definitely”, one was unsure giving a response of 5 on the rating scale. Whilst there were concerns about the future of the scheme many tenants remain upbeat about their experiences and hopes for others following in their tracks:

- “If you don’t have a go at some point in time you will wonder whether you should have done”
- “If there were opportunities, would I encourage anyone to do it?...yeah, but I’d quite like to mentor them. I wish someone would have done that for us, or say when we’re doing the budgets and showing us where we were.”
- “It’s a great opportunity- there are a lot of factors that need to be taken into consideration and it cannot be done on a whim. As long as they have good support... it is something I would encourage them to do”
- “Another really good thing about it for us when we go in was there’s no in going valuations and for just starting out and business not to have that and going valuations it’s massive.”
- “Good opportunity for them to grow their business and gives them the chance to thrive.”

### Final Comments from the Tenants

- “Everyone knows the burning issues. It would be an incredible shame for us to have started businesses and amassed machinery livestock and relationships and for there not be a next step for us”
- “Depending on how it [future opportunities] goes ... will also determine how we feel about the whole process”

## Starter Farm Initiative Review

- “It’s a shame if they are sold off, the fact is when we took them on they were supposed to be made available for other people they were supposed to be starter units. The whole scheme isn’t what it said on the can.”
- “What will happen with this work?”

Annex: Policy Implications

**Policy Implications - Tenant Perspectives on the Starter Farm Initiative – by Lorna Pate and Steven Thomson, SRUC, March 2023.**

## **Key Points**

To help address the lack the opportunities for new entrants to farming in Scotland, Forestry and Land Scotland **made 9 Starter Farm Units available to new entrants** between 2012 and 2015. These, together with **a further Starter Farm Unit** made available by the Scottish Government’s Rural Payments and Inspection Division, formed part of a wider Scottish Government initiative operating under the auspices of the **Farming Opportunities for New Entrants (FONE) Group**. The wider FONE initiative aimed to **increase opportunities for new entrants on publicly owned land**.

**The Starter Farm (SF) initiative has been a success** – offering business opportunities to ten tenants. However, with increased demand for land - including marginal hill land - driven in part by afforestation and natural capital drivers, rapid increases in land values and rising interest rates it means that **even small holdings are unaffordable to purchase for most new entrants to farming or those looking to move own from a tenancy**.

Most SF new entrants took-on their starter farm with the **hope of securing a tenancy after the programme finished**. However, **medium to long-term tenancy opportunities remain scarce**. SF tenants suggested that those on the first few rungs of the farming ladder are frequently overlooked for more established farmers on the rare occasion tenancies come to the market.

Many SF tenants said that they felt that **policy and industry interest in getting new blood into farming had declined with other topics being prioritised** (Brexit, Covid, agricultural policy development, land reform, land-based skills, etc.).

**New blood is required in Scottish agriculture**, bringing new ideas and approaches to land management **at a time where agricultural policy is reforming**. **These reforms may lead to increased shared venture / tenure opportunities** as incumbent farmers and landowners appraise their farming futures.

**New starter farm opportunities or alternative models need encouraged, promoted, and supported** by all involved in the industry. With an increase in institutional and corporate

investors in Scottish land there may be **new opportunities for new entrants that can help deliver Corporate Social Governance (CSG) objectives of investors.**

**There remains a need for a champion of new entrants and for new entrant support to be embedded in future land management support.**

### Context

1. The 10 starter farms were designed to be part-time units that would allow the tenants their first step on the farming ladder. Starter Farm (SF) tenants were initially provided with a 10-year lease, that was extended by three years in 2021. To secure these tenancies the new entrants were required to tender through a competitive process - there were 77 applications made for the leases demonstrating interest in the opportunities these units provided.
2. The original objectives of the starter farms were to:
  - a. Attract and develop new talent through providing an opportunity to farm and a base from which to build a business.
  - b. Demonstrate the integration of farming and forestry in Scotland.
  - c. Recycle the units every 10 years to provide further opportunities for new entrants.
3. In 2022, a review of Starter Farm tenant's perspectives on the initiative was undertaken by Scotland's Rural College (SRUC) for the FONE group. Eight tenants (from ten) were interviewed to ascertain their experiences of the initiative. A number of themes emerged regarding the benefits of the initiative as well as identification of opportunities for improvement.

### Successes of the Initiative

4. The main objectives for taking on the SF tenancy were to run a farm business, have an opportunity for progression, and wanting to build a business and have security. Initial expectations had largely been met, except for the tenancy acting as a stepping stone to another lease / ownership. Many tenants alluded to having greater personal satisfaction because of their starter farm experience than in their previous roles, although they may now carry more financial concerns.
5. The tenants generally improved their personal and business skills through their experiences from the SF and other business activities they undertake. The skills reported to have developed the most as a result of the tenancy included financial management, leadership, decision making, business confidence, marketing, and business and personal resilience skills.
6. Nearly all of the SF interviewees reported that they were 'emotionally invested' in the starter farm, treating it as if it were their own. Many felt fully embedded in their local community through working and contract relationships with other local farmers, employing



local people, children attending local schools, participating in and supporting local events, etc. That embeddedness (particularly where farm households are reliant on local off-farm income streams) likely means that modern ties to part-time tenancies are stronger than historically where tenants may have been more mobile.

7. Only one tenant was confident that they would have been farming without the starter farm initiative and all tenants wanted to continue farming after their starter farm tenancy ends - one has now successfully moved up the farming ladder into a new tenancy. Half the tenants had applied for other tenancy opportunities, often being outbid on offered rents. There was an undertone that public bodies, the Scottish Government, and the industry could do more to provide opportunities for the starter farmers – including through initiatives like the land matching service.
8. Most tenants would encourage other potential new entrants to take on a starter farm, and some even expressed that they would offer support to mentor new tenants – if the initiative was to continue.

### **Skills**

9. One of the main successes of the starter farm initiative was the upskilling of the tenants, most tenants reported that they increased many skills throughout the programme. When interviewed tenants said that they would have liked mentors and may said they would like to mentor the new generation of new entrants.

### **Skills - policy opportunities**

Continue and improve formal mentoring schemes with FAS Scotland and encourage uptake. Encourage younger farmers to become mentors.

Look at providing some industry qualification (not formal) to show to prospective landowners the skills that the new entrants have achieved.

Establish a new entrant monitor farm.

### **Land Availability**

10. Access to land to rent, and the price of land are well recognised as barriers to entry to the farming sector. The Starter Farms were designed to allow new entrants the first step 'on the farming-ladder' where they could establish and grow their businesses over the ten-year lease - with the aim that they move onto a different (hopefully bigger) before the end of their tenancy.
11. Owning a farm was reported as being financially out of reach for many tenants and the competition for land has resulted in less rental land being available and rental prices increasing. In the 10 years that the starter farm programme has been running land prices have risen significantly and less land is being used for farming activities. Further limiting the amount of land advertised to rent is the response by some estates to farm the land

themselves to minimise the risk of the “right to buy”, ensure agricultural support payments, carbon and potentially ecosystem service payments in the future. All these factors have resulted in greater competition for tenancies.

12. Many of the tenants had already established agricultural businesses or farming experience (seasonal graziers, agricultural contractors, farm managers) so the SF opportunity was, for many, the second rung on the farming ladder. To-date, after nearly a decade of the initiative only one starter farm has moved on – securing a larger tenancy. Other tenants had applied, unsuccessfully for marketed tenancy opportunities, often being outbid (on rent payable) by established farms.

### **Land accessibility - Policy & Private-sector opportunities**

#### **Land prices**

Drivers of land markets (including carbon offsetting, capital gains and inheritance tax reliefs) are being examined in the Theme E of the RESAS Strategic Research Programme 2022-2026. Policy options to limit land price inflation appear limited.

#### **Increasing the quantity of land to the rental market**

Tenants’ pre-emptive rights to buy have been in place since 2005 and it is unclear what this has meant for the stock of tenanted land available in Scotland where some sitting tenants have purchased their farms. A review of the stock of tenanted land is needed.

Legislation appears to be stifling the rental market and work is needed to better understand what changes could be made to increase landowners’ confidence to rent out land in Scotland (e.g. tax relief for landlords in Ireland).

Incentivising farmers to retire has been trailed in England and Ireland, limited success.

Land assignment (Land Reform (Scotland) Act 2016) – appears to have had limited success in Scotland.

#### **Improving new entrants’ opportunities to rent**

Provide more/recycle new entrant farms on publicly owned land.

Encourage or incentivise private landowners to rent to new or “second step farmers” by financially rewarding the landowner.

Agricultural support conditionality could also be used to incentivise leasing land.

Reduce the risk of taking a new or second step tenant – perhaps by providing loan security / low interest rate loans.

Change criteria of the tenancy (open market) tendering process to be more favourable to new entrant/second step farmers.

Viewing the development of new entrants as part of the landowners’ social responsibility perspective.

Promote the impact that renting to young/new entrants can have for landowners and the industry as a whole.

### Access to finance and funding

13. On average, the tenants reported initial expected capital needs of c. £39k but generally had to spend considerably more. Funds were secured from loans, savings, overdrafts, livestock markets, and in some instances family members. Tenants had generally built-up fixed assets which would form the basis of any future tenancy / ownership opportunities – breeding livestock, tractors, machinery and equipment.
14. Not all tenants were eligible for the full range of agricultural support payments at the outset of their lease. This was perceived to put them at a disadvantage in the industry. Moreover some believed that agri-environment climate scheme opportunities have been limited due to 5-year commitments and application rounds falling within 5-years of the initial lease termination date.

### Funding - Policy opportunities

Ensure all new entrants can access agricultural support from the outset, putting them on a level playing field with existing farmers.

Review the need for, and eligibility criteria for new entrant capital grants and support uplifts within the evolving Agricultural Bill framework.

Consider the benefits and opportunities that a loan guarantor scheme would bring for new entrants to agriculture (and e.g. peatland restoration businesses).

Assess the potential to provide interest free loans to new entrants / second-rung farmers. Is there a role for the Scottish National Investment Bank?

Review other finance models for new entrants / engage with banking sector to identify opportunities to introduce new models.

Further encouragement of alternative models than ownership and tenancy. Farm management / share farming, joint ventures, etc. opportunities should be promoted as viable alternatives to develop experience and build capital.

### Authors

Steven Thomson, SRUC

Lorna Pate, SRUC

### Acknowledgements

This work was funded under the Scottish Government's 2022-2027 Strategic Research Programme through the Underpinning Support for Policy Advice.



# SRUC

## **At the heart of the natural economy**

This and other documents can be made available in other formats such as large print and/or community languages on request. If you would like a translated copy, please contact the author with the details of the format/language required.

SRUC is a charitable company limited by guarantee, Scottish Charity Number: SC003712. Registered in Scotland, Company Number: SC01033046. Registered Office: Peter Wilson Building, King's Buildings, West Mains Road, Edinburgh EH9 3JG. SAC Commercial Limited. An SRUC Company. Registered in Scotland, Company Number SC148684. Registered Office: Peter Wilson Building, King's Buildings, West Mains Road, Edinburgh, EH9 3JG.



© Crown copyright 2023



This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.scot](http://www.gov.scot)

Any enquiries regarding this publication should be sent to us at

The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-80525-903-9 (web only)

Published by The Scottish Government, June 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS1288782 (06/23)

W W W . g o v . s c o t