

**Date:** Wednesday 20 June 2001  
**Time:** 2.00pm to 5.05pm  
**Venue:** Committee Room, National Assembly Building

## **NEW ENTRANTS INTO FARMING**

### **Purpose**

1. To update the Committee on developing thinking on how to help young people who wish to enter the farming industry in Wales.

### **Background**

2. At its meeting on 9 November 2000, the Committee asked that proposals be brought forward to help young people into farming. This followed the decision not to introduce an installation aid scheme under the Rural Development Plan. A number of different possibilities have been explored with Finance Wales and the Young Farmers Clubs Wales, and the Farmers Union of Wales (FUW) and the National Farmers Union Wales (NFU Wales) have been consulted informally. This paper offers a number of proposals which the Committee may consider merit further consideration. For clarity, Members may wish to note that the EC Regulation (EC 1257/99), which permits the granting of aid, defines a young person as being under 40.

### **Discussion**

3. Other than providing direct financial assistance in the way of installation aid, there are a number of ways in which young people could be assisted. This paper considers these possibilities in turn.

## **EDUCATION AND TRAINING**

4. It is essential that education and training is appropriate, relevant to the needs of the individual and the industry, and accessible. Whilst initial education and training courses can provide a good foundation for those wishing to enter the industry, there is also a need for on-going opportunities for farmers to keep abreast of latest developments and changes in agricultural and business practice. This type of training needs to be delivered locally and at times to suit the industry, and may often need to be informal in nature, to promote take-up.

5. Farming Connect will be central to creating the opportunities for farmers to update their skills and knowledge. In addition, a major programme of Business and IT skills training will be launched this

autumn, funded by ELWA, as part of Farming Connect, and this will be especially relevant to young farmers.

## **ADVICE AND SUPPORT**

6. There is a need for young entrants to be provided with appropriate advice and guidance to help, amongst other things, assemble the right kind of package of support, prepare business and marketing plans and, importantly, help from the banks in terms of loans and overdrafts. Such a "facilitator/Business Angel" would need to be a person who combines knowledge of farm business, so that he or she can assess the young person's farm business plan, with credibility with the banks, and knowledge of the sources of advice and support.

7. There are a number of ways in which this could be done. Use could be made of Finance Wales' existing support system or it could form part of the Farming Connect package.

8. Farming Connect will in addition provide access to Farm Business Development Reviews, which will be very relevant to young farmers, allowing them to consider options for the development of existing and new enterprises on and off the farm.

## **CAPITAL INVESTMENT**

9. A number of ways of helping young people gain access to investment capital are being pursued.

### **Capital Grants**

10. Three schemes targeted at different types of activity, will operate at different grant rates to reflect the nature of the activity being supported. For the Farm Improvement Grant, which essentially seeks to improve the physical infrastructure of the holding and animal welfare, the rate will be 20%. For the Farm Enterprise Grant and the Small Food Processors Grant, where farmers are being encouraged to diversify, the rate will be 30%. For young farmers these grant rates will be increased by 10%, to 30% and 40% respectively. These rates may be subject to further review once the level of take-up of the grants has been established.

11. Discussions have been held with Finance Wales on whether funding from their small business loans schemes could be used to help young farmers. However, funding for their scheme to support small businesses comes from the European Rural Development Fund which cannot be used to support agriculture. Finance Wales' existing schemes are able to help farmers wishing to diversify outside farming.

### **Livestock Quotas**

12. Quota is one of the most significant items of capital investment that a young person entering farming

needs to make, and is just one example of the way in which the CAP increases entry barriers to the industry. A consultation paper was issued on 5 February on proposals to reform the livestock quota regime. Because the current system derives from Community law, any decision to change it has to be taken in conjunction with other Agriculture Departments and they too are currently consulting on similar proposals. One of the key changes which is being proposed is to increase the priority given to young entrants in allocating quota from the national reserve - a pool of quota clawed back from producers who fail to utilise quota above a certain limit (currently 70%).

13. A further report will be made to the Committee on this issue in due course, in the light of the responses to the consultation.

## **OTHER POSSIBLE MEASURES**

### **Tax benefits for Farmers who lease the farm to a young person for a minimum of ten years.**

14. Tax benefits might encourage owner-occupiers who are near to retirement or who have already decided to retire, to agree to rent their holding under a business tenancy to a new entrant for a minimum of 10 years. The tax position of the landowner would be amended to the same basis as an owner granting a grazing licence. As part of the package, a mentor would be assigned to advise and assist the young farmer and support would be provided by others with an interest in the industry - the public, education and research sectors and the private and voluntary sectors.

15. Whilst this proposal may have merit, taxation policy is a matter for the UK Government. If the Committee thought that a scheme could offer worthwhile benefits to young people wishing to join the industry, representations could be made to DEFRA and the Treasury.

### **Encouraging 'share farming' agreements so enabling a young farmer to gradually increase his ownership of the holding over a number of years**

16. Share-farming is a form of joint venture business arrangement where two or more parties share the costs and risks of a farming project, receiving a share of the returns in proportion to their inputs. Usually one party provides the land and buildings, and the other labour and machinery, and both share the other fixed and variable cost elements. Consideration is being given to how share-farming might be promoted.

### **Fast Tracking into Tir Gofal and the Organic Farming Scheme**

17. It has been suggested in the past that young entrants could receive additional points in the Tir Gofal scoring system and be fast tracked into the Organic Farming Scheme. Advice from the Office of the Counsel General is that there are no legal objections. In the case of the Organic Farming Scheme any advantages would be theoretical rather than practical as to date we have not had to turn down an application because of lack of resources. The Tir Gofal stocktake, on which a paper will be coming forward next month, will include consideration of the likely effect including a provision to award

additional points to young people.

**Contact Point:**

Alan Starkey

Food and Farming Development Division

Ext 5776