

PRIME MINISTER

Agricultural Holdings Bill

The logic of Mr. Jopling's reply of 25 October is not compelling, but he makes some valid practical points.

As to logic:

1. He admits that "opinions differ widely as to the likely effect of the new [rent] formula" - surely a basic flaw after protracted consultation?
2. Mr. Jopling suggests that the present level of rents is unlikely to change markedly. If so why will lettings increase? (The other main provision of the Bill, i.e. the reduction in tenancy succession, will not by itself bring about more than a marginal incentive for a landowner to let.)
3. He mentions the disparity between the farm rent formula recently enacted for Scotland and that proposed for England and Wales. There is no good reason for such a disparity.

As to practical considerations:

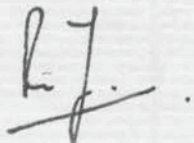
4. Mr. Jopling is right to contend that delaying the introduction of the Bill at the eleventh hour and fifty-ninth minute would be disruptive to the organisation of Government business.
5. He is also right to point out that the Manifesto refers specifically to the NFU/CLA package.

/ 6. He



6. He is right to recognise that back bench pressure in both Houses could yet "refine" the rent formula. (He shows commendable restraint, too, in not pointing out that the CLA has largely bungled its end of the negotiation!)

On balance, it seems sensible to introduce the Bill as planned on 27 October, but to leave Mr. Jopling in no doubt that he should be very receptive to suggested improvements in the rent formula.



ROBERT YOUNG

25 October 1983

Palmit: Ugenturk Proq Pt 11

8.8

COMMENTS



bc Robert Young



Leg. Cmte.

Surf

C. (MAFF)

WOO

LPS

CDL

LPO

WOB

LCO

LAD

SO

CWO

26 October 1983

From the Private Secretary

FIO (Riffind)

Capt. G@ Arms.

HO (Hurd)

FS-HMT

AGRICULTURAL HOLDINGS BILL

The Prime Minister was grateful for your Minister's minute of 25 October about the Agricultural Holdings Bill.

The Prime Minister agrees that Legislation Committee should discuss the Bill today and that, subject to that discussion, it should be introduced in the House of Lords tomorrow (27 October). The Prime Minister has noted your Minister's view that it may be possible to refine the rent formula during the passage of the Bill in order to meet some of the criticisms that have been made.

I am sending copies of this letter to the Private Secretaries to the recipients of yours.

MR. D. BARCLAY

Robert Lowson, Esq.,  
Ministry of Agriculture, Fisheries and Food.

dg





From the Minister

PRIME MINISTER

*agree that  
the Bill - of course that doesn't  
mean we should not do it  
She has not been  
possibly to have the  
of the  
not found*

*CS 29.*

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

Prime Minister: Further note from policy unit attached.

Agree the Bill should be introduced as planned on Thursday? (The CLA will have plenty of opportunities to put forward amendments via backbenchers).

25 October 1983

*Yes*

*mt*

*DMS  
25/10*

*My Dear Prime Minister*

AGRICULTURAL HOLDINGS BILL

Your Private Secretary's letter to mine of 24 October asked me to give further consideration to the criticisms of the new rent formula which we are proposing to introduce in the Agricultural Holdings Bill.

I am very well aware of these criticisms, which in the main emanate from institutional owners of agricultural land and their professional agents. The difficulty is that because of the decline in the agricultural tenanted sector, there are now virtually no new lettings. This means that there is really no true open market on which arbitrators can base their assessment of the open market rent, as they are required to do under the present formula. The very high tender rents which are offered for the few tenancies which do become available are far in excess of the rents being paid by sitting tenants for comparable holdings. The result is that arbitrators are currently having to ignore the letter of the present law and fudge the issue by basing their assessments on more pragmatic considerations such as what the holding will produce in the form of profit. The purpose of the new formula, which will require arbitrators to take into account all relevant factors (including the productivity and earning capacity of the holding) is to establish a sound basis for the assessment of rents and restore confidence in the arbitration system.

Opinions differ widely as to the likely effect of the new formula, but the NFU, the CLA and the professional bodies do not believe that it will have any marked effect on the present level of rents.

/We should not ...



We should not in particular experience the same difficulties as under the "Fair Rents" legislation, since the earning capacity concept will provide an important objective assessment of a holding's rental value; a similar measure is not available in the residential lettings sector.

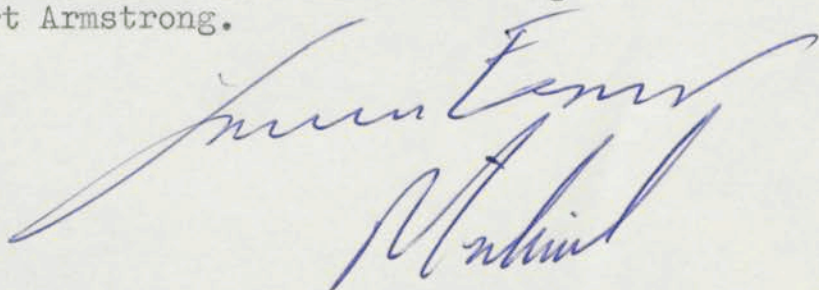
The new rent formula must also be seen as part of an important package of measures agreed between the NFU and CLA and designed to infuse new life into the tenanted system. The agreement still enjoys the full backing of both organisations. The CLA have in particular pressed me very hard to bring forward early implementing legislation because they attach very great importance to the changes on tenancy succession. (The Bill will also provide that the three generation succession arrangements introduced by the Labour Government will not apply to new tenancies). The NFU/CLA agreement is the only possible basis on which new legislation can proceed, and this is why we said in our last manifesto that we would "legislate on these lines at an early opportunity".

I accept that the new legislation will not in itself produce an immediate flood of new lettings. We have never said that it would. It will in particular need to be accompanied by further changes in the taxation arrangements affecting landlords, designed to remove the current fiscal bias against the letting of land. This is no doubt something which I will wish to discuss with the Chancellor in due course. I do however remain convinced that if we are to keep to our manifesto pledge we must stick to the NFU/CLA agreement, an essential part of which is the new rent formula.

The point about the rent formula which is of particular concern to you (discounting scarcity) is not something entirely new to agricultural holdings law; the concept was in fact incorporated in the Agricultural Holdings (Amendment) (Scotland) Act 1983. I am sure that the proposed England and Wales formula will itself be the subject of the closest scrutiny while the legislation is before Parliament, and I will myself pay very close attention to all of the many arguments which will certainly be put forward. It may well be possible to refine the formula to take account of the concerns which have been expressed to you, but we must not allow this to prejudice the success of the legislation itself, which, as I have already indicated, is based on a very finely balanced package of measures of interest to landlords and tenants alike.

I hope therefore you will agree that L Committee can tomorrow discuss the Bill and that it can be introduced in the House of Lords on 27 October. If we were to delay introduction for further reflection (which I feel would itself be unproductive) there would be serious implications for the organisation of government business in Parliament.

I am copying this minute to the other members of Legislation Committee and Sir Robert Armstrong.



MICHAEL JOPLING



PARLIAMENT & Legislation  
Pt II

20 JUN 1983

11 12 13 14  
15 16 17 18  
19 20 21 22

COMMUNIST



10 DOWNING STREET

From the Private Secretary

FIVE SH

cc: Lord President's office  
LPS LAD  
LCO Part Sec. HMT  
SO M/s (FCO)  
NO M/s (HO)  
CDL Fin Sec HMT  
ADD Capt of Genl Army  
24 October, 1983  
CO  
HMT  
POWER UNIT

Agricultural Holdings Bill

The Prime Minister has seen a copy of the Legislation Committee paper on the Agricultural Holdings Bill (L (83) 102).

The Prime Minister has heard it said that the proposals embodied in the Bill may be insufficient to achieve the increase in farm tenancies which was envisaged in the Manifesto. In particular, she is aware of fears that the proposed new rent formula (which she understands discounts the scarcity value of land) may have the same effect on agricultural tenancies as the "Fair Rents" legislation had on residential lettings.

BT |  
The Prime Minister would be grateful if your Minister could give further consideration to these criticisms, in consultation with the Chancellor and other colleagues, and report the outcome to her in due course.

I am sending copies of this letter to Judith Simpson (H.M. Treasury), Colin Jones (Welsh Office), to the Private Secretaries to other members of Legislation Committee and to Richard Hatfield (Cabinet Office).

DAVID BARCLAY

R. Lawson, Esq.,  
Ministry of Agriculture Fisheries and Food

JA



Prime Minister: The Bill is

21 October 1983  
Policy Unit

PRIME MINISTER

described in Mr Jopling's  
paper for Legislation Cttee, attached.

FARM TENANCIES - HAVE WE GOT IT RIGHT?

DMS  
21/10

(1)  
J

Our Manifesto states that "the National Farmers' Union and the Country Landowners' Association have agreed on the best way to make more farm tenancies available for young people. We shall legislate on these lines at an early opportunity". A draft Agricultural Holdings Bill will be introduced into the Lords on 27 October.

As we move closer to legislation, landowners are realising that their representatives did not negotiate forcibly enough, and that farm lettings will reduce in number if the Bill goes through. Although belated, their arguments are persuasive.

The main provisions of the Bill are:

1. For new lettings, to give the tenant security for his lifetime only, not for two successive generations as the Labour Government's Act of 1976 provided. This is a modest step in the right direction.
2. For all lettings, to redefine "rent properly payable" in such a way as to discount the scarcity value of land - a vital ingredient of "open market rent" which is the main yardstick in use at present. This is at odds with recent legislation for Scotland, which retains the open market concept. Worse still, it feels uncomfortably similar to "Fair Rents", which caused residential lettings virtually to dry up.

Even at the eleventh hour, would you like to ask Michael Jopling and Nigel to check that we are right to proceed as planned?

FERDINAND MOUNT

fm

Les out



Mr. Barclay - for information only.

CF: please keep with pps  
on the Ag Holdings Bill

2  
1/4

Ref. our conversation last week on the Agricultural Holdings Bill, I wonder if you too have noticed a fairly steady flow of correspondence in the quality press along the lines of the letters below. I have a small stack of articles from journals which echo the message. It seems more than ever likely that Mr. Topling's proposals will receive a mauling in Parliament!

"Times" October 25th

## Farmer and tenant system in decline

From Mr Henry Fell and others

Sir, The agricultural landlord and tenant system which has, for the past 150 years and more, been considered to be an essential element in efficient farm and estate management, is in a serious state of decline.

The reasons, and there are many, are not hard to find, but they certainly include the results of much hasty and ill-conceived past legislation. The consequence is that no landowner can be sensibly advised to let a farm when it becomes vacant. He must either sell or retain possession and many estates, either private or institutional, are now farming in hand very large acreages indeed.

The effect on the countryside and the rural infrastructure of successive amalgamations and the subsequent disappearance of family farming is very serious, not just to agriculture but to the nation as a whole.

There is also now a rapid growth in farming arrangements - partnerships, contract or share farming - arrangements which are often short term and designed to circumvent the present unreasonable landlord/tenant legislation, rather than to provide for the land to be farmed in the most effective way.

We believe that unless confidence in the letting of farms can be restored, such arrangements will proliferate over the next decade and will have a further detrimental effect on farming in this country and on the countryside. We therefore greatly welcome the Government's announcement that it will promote legislation in the present parliamentary session to "increase the number of farming tenancies".

Landowners and tenants alike have waited a long time for this opportunity to restore practical logic to agricultural holdings legislation. We cannot expect to have further parliamentary time for many years, so it is particularly important that the minister comes forward with the right formula. Next time will be too late.

The National Farmers' Union and Country Landowners' Association have proposed a useful framework but, in the context of encouraging lettings, it proposed only one major change, the abolition of the two-generation security of tenure for farm tenants.

Now, two years on from the NFU/CLA concordat, it is evident to all of us that unless the basis of that "package" is widened to include measures that will positively create more tenancies and more mobility - retirement, tenancy transfer in readiness for retirement, fiscal inducements to retain small and medium-sized farms, a sound rent formula, and taxation changes that eliminate the discrimination against owners to let their land - the Government will be presiding over an ineffective holding operation at a time when a more imaginative and radical approach could rejuvenate the very foundation of our industry, open up opportunities for the many expensively trained people to whom a tenancy is the only route into farming, and bring new life and vigour to our rural communities.

The responsibility now lies with Parliament. The Minister of Agriculture can be assured of widespread support from within agriculture if he opts for this broad approach. We should, however, be in no doubt whatsoever that the great majority of farmers, landowners and land agents do not believe that the NFU/CLA agreement is any more than a basis on which to build.

Yours faithfully,  
HENRY R. FELL,  
J. H. ANDERSON,  
WELLINGTON,  
PEART OF WORKINGTON,  
GERAINT HOWELLS,  
ROBERT MACLENNAN,  
NIGEL H. CLUTTON,  
C. R. FERENS,  
R. B. WHITTLE,  
RICHARD STOREY,  
Worlaby House,  
Worlaby, Brigg,  
South Humberside.

"Times"  
Nov 1st

## Fear of clash on farm tenancies

From Mr Peter Trumper and others

Sir, We are responsible, between us, for the management of more than two million acres of agricultural land let to tenants; land which is owned by individuals, institutions, charities, pension funds, local authorities and others.

The Agricultural Holdings Bill, just published, contains a large number of much-needed amendments to existing legislation, which we welcome. But the proposal to introduce a new, artificial, legalistic rent formula is bound to lead to bitter dissension between landlord and tenant, which can only do harm to the industry.

The declared intention of the Bill is to encourage landowners to let more farms; in our opinion it will have precisely the opposite effect. No owner can be expected to let a farm if almost all the advantages lie with the tenant. The parallel of what has happened to rented houses is all too obvious.

The landlord and tenant system accounts for more than one third of British agriculture. Almost everyone within the industry thinks that it is very much worth preserving and improving. The rental clause in this Bill will do great damage to it.

Yours faithfully,  
PETER TRUMPER (Cluttons),  
SIMON GRAY (Smiths Gore),  
BRYAN KEATLEY (Humberts),  
PETER LEE (Strutt and Parker),  
DENZIL NEWTON (Carter Jonas),  
FRANCIS PEMBERTON  
(Bidwells),  
JEREMY WILSON (Savills),  
c/o Cluttons,  
5 Great College Street,  
Westminster, SW1.  
October 31.

Bob Young  
1.11.83.