

**A** CURIOUS alliance has been struck between Britain's tenant farmers and country land-owners.

The agricultural industry appears to have reached the consensus that is required by the government before amendments are made to landlord/tenant legislation.

Changes are needed, for land in the rented sector is diminishing rapidly. At present, 90,000 tenants rent about 38 per cent of farmland, but on present trends their share will shrink to half that acreage in 50 years' time.

There are two reasons for this trend:

- Landlords get a better tax deal if they recover their land and farm it themselves;
- Sons of tenants have the legal right to succeed to farms, a right which could last for three generations.

**C**HANGES in these provisions have been proposed by the Country Landowners' Association and the National Farmers' Union.

And the proposals have been endorsed by the newly-formed Tenant Farmers' Association, which is worried by the fact that only about 14 per cent of tenanted farms are re-let once they fall vacant.

Farmers want an increase in the amount of land available for rent, and this would certainly happen if the right of succession is eliminated.

*But what would happen to rents?*

It is on this question that a sense of unreality pervades the proposals submitted jointly by the NFU/CLA to Agriculture Minister Peter Walker. Farmland owners, it would appear, wish to eliminate the "scarcity" factor from the definition of rent:

*"It is agreed that an objective open market criterion for fixing the rents of existing tenants should not be based on such subjective elements as scarcity, proximity, premiums, and the hopes that motivate the tender of excessive rents."*

Rents have certainly been escalating (see table), but would the CLA/NFU proposals eliminate the tender of "excessive rents"?

**F**ARMLAND owners have proposed that the law should be changed to determine rents according to a new definition.

Scarcity should not be a consideration; instead, "the productivity and earning capacity of the holding" in the hands of a "reasonably skilled"

## A landlord ploy for higher rents?



● JOAN MAYNARD

tenant should be substituted. Rents can take into account "any evidence of rents that are paid or would be paid in respect of comparable lettings except to the extent that they contain an element due to scarcity of holdings available for letting in the locality".<sup>1</sup>

What makes this approach to rent determination so puzzling is that it assumes that you *can* eliminate the notion of scarcity. In fact, this is an economic impossibility.

Rent is *not* a cost of production. It is an income that derives solely from the monopoly of a natural resource which is in diminishing supply.

Economic textbooks usually describe land as a factor of production that is fixed in its supply. But in Britain its supply is diminishing at the rate of about 50,000 acres a year, thanks to urban sprawl and the speculative holding of greenfield sites out of use in anticipation of capital gains.

On the face of it, then, it seems nonsense to try and redefine the process of rent determination by trying to exclude the scarcity factor.

**B**UT THERE may be a good strategic reason for presenting the view that rent rises might be checked, if existing legislation was revised. For landowners would benefit enormously from such revisions.

*And one advantage is that rents would rise!*

For by reducing the security of tenure of tenant families, there would be a greater turnover of lettable land on the market; and there would be more prospective tenants bidding for land (the second and third generation sons who would otherwise have succeeded to dad's farm under the present tenancy arrangements).

It is inconceivable that this would not result in a general rise in rental levels. Joan Maynard MP, one of the Labour Party's agricultural spokesmen, had predicted a ten per cent rise. But now she says:

*"Rents have been going up dramatically. I think that my ten per cent prediction is a gross underestimate. There has been an increase in rents over the last three years of 50 per cent, and rents on the Duchy of Cornwall's estate have gone up 100 per cent."*

Currently, when arbitrators are brought into the rent fixing process, they appear to award sitting-tenant rents of around 60 per cent of open-market levels.<sup>2</sup> And according to John Clayton, co-editor of the

### AGRICULTURAL LAND, England & Wales: £ per acre

SALES WITH VACANT POSSESSION						
	1979	1980	1981 (Jan-June)	1981 (July-Dec)	1981 (Whole Year)	1981 (Range)
All Farms	1828	1904	1858	1805	1821	1417-2215
Bare Land	1819	1816	1751	1850	1817	1456-2163
AVER. RENTS PER ACRE	1976 11.06	1977 12.97	1978 15.49	1979 18.41	1980 21.77	1981 24.60

SOURCE: Farmland Market (Estates Gazette/Farmers Weekly)

authoritative *Farmland Market*:

"If the NFU/CLA proposals were implemented, arbitrators would probably pay more attention to open-market rents than they do now, and this would have an upward pressure on rents."

If these predictions are correct, tenant farmers would be locked into a tight conflict. There would be an increase in the number of farms to let, but tenants would pay even more on top of what everyone agrees are "excessive" rents. As the Tenant Farmers' Association notes:

"In many instances, rent levels are greatly in excess of what sound tenant farming can afford, as a proportion of both output and profitability... The upshot is inadequate investment, soaring bank borrowings, and farm staffing cut to the bone."<sup>3</sup>

The establishment of sound, open market rents is crucial if agriculture is to maximise output and also ensure an optimum mix of all the factors of production, *the scarcest of which is land*.

But there is no reason to believe that the existing proposals to change the law will bring us any closer to that goal.

#### REFERENCES

1. Joint NFU/CLA Submission on Major Amendments to Landlord/Tenant Legislation in Agriculture, Sec. 2, 21.5.81.
2. John Edwards, 'Agricultural rents: the need for a new approach', *The Farmland Market*, Feb. 1982, p.11.
3. Press Notice 1/81, Reading: Tenant Farmers' Assn., para.2.



PRESIDENT Ronald Reagan caused anger in the Caribbean when he flew the banner of free trade last month.

The President's warning against the threat of protectionism was issued when he met leaders of the industrialised nations in Versailles.

But American trade policy is now seen as inconsistent and discriminatory. For Reagan has just imposed quotas on sugar imports.

## FREE TRADE: REAGAN'S BITTER POLICY FOR SUGAR GROWERS

BY P. E. POOLE

This will seriously affect the struggling sugar producers whom Reagan — under his so-called Caribbean Basin Initiative — said that he wanted to help.

Reagan's restrictions on freely imported sugar were imposed to protect domestic producers, and to relieve the government of having to pay out \$400m under the price-support programme.

## Derelict land: £70m for British owners

by Paula James

BRITAIN is to plough £70m into derelict land development next year.

The Junior Environment Minister, Giles Shaw, told the House of Commons that increased grants to local authorities and private developers would not only eliminate eyesores; they would also create new jobs.



Michael Heseltine

*He said nothing of the profits which landowners can expect to gain — at the taxpayer's expense — through the resulting increase in the value of their land.*

Instead, he took note as one Tory MP after another insisted, during the debate on the Derelict Land Bill, that the Government had not gone far enough.

Anthony Steen, MP for Liverpool Wavertree, was typical. "If the Bill is to be made more effective, it should have a clause added to it that will compel local authorities and public undertakings to auction their surplus land to the highest bidder."

At no point did Mr. Steen or any of his colleagues suggest how the community might benefit from the inevitably higher post-development land values.

The Government is offering 100 per cent grants to local authorities who develop land not already in designated Assisted Areas or Derelict Land Clearance Areas in England and Wales, and an increase from 50 per cent to 80 per cent to the private sector or nationalised industries... all of which means the cost to the taxpayer will rise from £45m this year to £70m next year.

The Tories were delighted. Christopher Murphy, MP for Welwyn and Hatfield, said "this great natural asset of land" had been abused for too long. A high priority should be placed on derelict town and city land. "The Bill can do much to regenerate the land hoards in our already built up zones and turn them almost into treasure trove," he declared.

Mr. Steen pressed the Government to offer private developers 100 per cent

## And now — it's 'marriage values'!

By Bert Brookes

DURING the Parliamentary debate on the New Towns Bill, Sir George Young, junior minister for Housing and Construction, used a term which puzzled some MPs.

Sales of government assets in New Towns, he said, would be made only when the corporation concerned was satisfied that it was getting the best price possible; and that included getting a proportion of the "marriage value."

What is marriage value? Without the link with the assets of new towns it might have been thought that it was something to do with the increased personal allowance against income tax that a man gets when he takes unto himself a wife; or perhaps the amount of money that the said wife is allowed to earn without being taxed on it.

On the other hand, the term might have been a more abstract one — perhaps the increase in a

man's personal comfort when he has someone to cook his meals and darn his socks or, maybe, the increased security that a woman gets from marrying a pool winner or an Arab oil sheikh.

Alas, the truth is more down-to-earth. Right down to earth. Because, according to Sir George, marriage value is an element of site value; at least, it arises as such when publicly-owned new town assets are being sold off to private buyers.

The marriage value, the Minister explained, is the extra value that would accrue to the tenant if he is entitled to buy the property. In other words, it is the difference between the value of the site with a sitting tenant and its value with vacant possession. When a site with a sitting tenant is sold, he said, it is a matter for negotiation to whom the

marriage value accrues — to the tenant or the landlord. And in the case of new towns, the government's policy was that a proportion of the marriage value should be obtained by the development corporation.

It seems that a fair amount of marriage value must have been changing hands in recent years as an incidental to new town property deals. Sales of government assets will have reached £300m by the end of the 1981/82 financial year — which must be of some help in the government's plans to cut down on its borrowing. In addition, they have picked up around £150m by the "sale and leaseback" of new town property.

In this late 20th century, marriage as a social custom seems to be in some decline. It is comforting to know that, in the field of real estate anyway, the term has a reasonably secure future.