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The Scottish Government
Riaghaltas na h-Alba

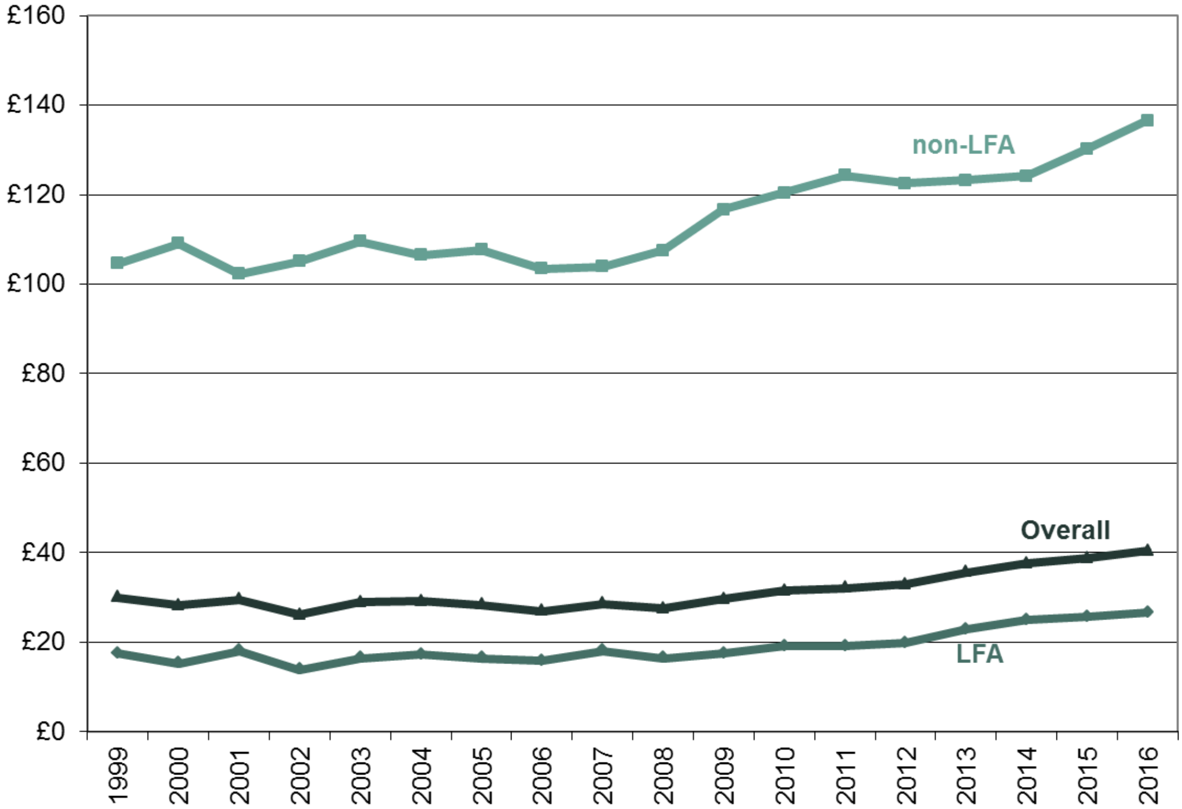
AGRICULTURE, ENVIRONMENT AND MARINE

Tenanted Agricultural Land in Scotland 2016/17

26th April 2017

1. Main Findings

The average rent in 2016/17 was estimated as £40 per hectare; £27 per hectare for LFA holdings and £137 per hectare for non-LFA farms.



The average rent paid per hectare increased by four per cent in 2016 (two per cent in real terms), four per cent for LFA holdings and five per cent for non-LFA.

The trend shows steady prices until 2008, since when there have been above-inflation increases in rent.

Contents

2. Introduction

This publication provides information on rented agricultural land in Scotland from the December Agricultural Survey, which collects information on rents paid. It samples from larger holdings only.

Data on the extent of rented land in Scotland is now included in a more comprehensive manner in the 'Results from the June 2016 Scottish Agricultural Census', and so these have been removed from this publication. They are available at www.gov.scot/stats/bulletins/01250

The following symbols are used in this publication
: not available
- too few farms involved to publish

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Terminology: Rented or Tenanted?

Please note that for the purposes of this publication we have used the terms 'rented' and 'tenanted' as different concepts, to distinguish whether data includes rented crofts.

'Rented' refers to all rented land, including rented crofts.

'Tenanted' does not include crofted land.

Unless otherwise stated, both refer to arrangements that last for one year or more. Seasonal lets are generally reported separately.

3. Rents

3.1 Background

Rental values for agricultural land will differ depending on a range of variables.

- The agricultural quality of land varies widely across Scotland, as recognised by the LFA status applied to much of the land. However, within LFA and non-LFA there will be a wide variation.
- The topology of the land, the remoteness, and the weather are other geographic determinants of a likely rent.
- Other variables to be considered would be the facilities included in the rent, such as farm-buildings and equipment, and the amount of land rented.
- Prices are also likely to be linked to the availability of rented land.
- The average rent will also change if the profile of rented land changes. So, for example, if new rental arrangements are made under more expensive short-term tenancies, the overall average rent will go up, even if actual rental values stayed constant.

It is therefore important to look at the range of rents paid for a given category, rather than just concentrating on an average rate, acknowledging that they cover the variation due to a range of factors.

3.2 Rents paid – methodology

The data on rents paid for tenancies (including crofts) were collected as part of the December Survey of Agriculture. This survey went to about 14,700 holdings, including 4,429 identified as having non-seasonal rented-in land. The response rate for the non-seasonal rental value questions (1,921 returns, or 43 per cent) was lower than the overall response rate (69 per cent). 1,548 holdings returned information on seasonal lets.

Charts 2 to 4 show the range in rents per hectare, by region, farm-type and tenancy type. Please note the following:

- The rent per hectare value relates to the rates for separate arrangements, not the average rent paid on a holding (which may be made up of several different tenancies). In these charts the rent per hectare for a tenancy covering a large area of land is treated equally to one covering a small area.
- Rents reported as ‘in kind’ have been excluded from the analysis as we cannot know the value of this payment. About seven per cent of arrangements were reported as being paid ‘in kind’ and a further two per cent included both monetary and ‘in kind’. Eleven per cent of seasonal lets included ‘in kind’ payments.
- Rents reported as zero have been included in the analysis.
- Seasonal lets are excluded, other than in chart 4 where they are shown in separate categories.
- The charts do not show the highest and lowest values, but start ten per cent of the way through and end at 90 per cent. So ten per cent of rents are higher

than the top of the bar and ten per cent are lower than the bottom of the bar. Then there are lines at the quarter-points (between which half of rents are to be found), and the dark area in the middle is around the median value.

The regions, farm-types and tenancy-types are ordered with the lowest median value to the left going to the highest on the right. The farm-types used are based on the Scottish Government's farm-type categories. Due to the small number of pig and poultry holdings, it has been necessary to combine these.

In interpreting the charts it is important to remember that other variables, perhaps not included in the analysis, will be influencing the range of values reported, in some categories more than others.

3.3 Rents paid – findings

Chart 2 shows the range of rents paid in different sub-regions (see table 1 for the make-up of geographies), with the North West region reporting the lowest rents. The number of returns in some areas are quite small but they suggest that Shetland and Na h-Eileanan Siar have the lowest rates, even after crofts are excluded from the analysis, explained by their remoteness and quality of land. Highland showed a wider spread of values. Orkney showed much higher rents than elsewhere in the North West region, more in line with those in the North East and South West, reflecting the fact that location alone does not drive prices, Orkney sustaining strong cattle and cereal sectors.

The South West contained the next lowest group of rents, although with rents in Argyll & Bute being more in line with those in the North West.

Rents in the North East and South East were then generally higher, with Fife and Lothian having the highest rents, with 75 per cent of those sampled paying over £74 per hectare.

Chart 2: Range of rents paid per hectare, by sub-region, 2016/17

Bars show 90 per cent, upper quartile, median, lower quartile and 10 per cent values. The figure below the label shows approximate number of leases for which data were returned. Excludes crofts and seasonal lets. source: Table 3

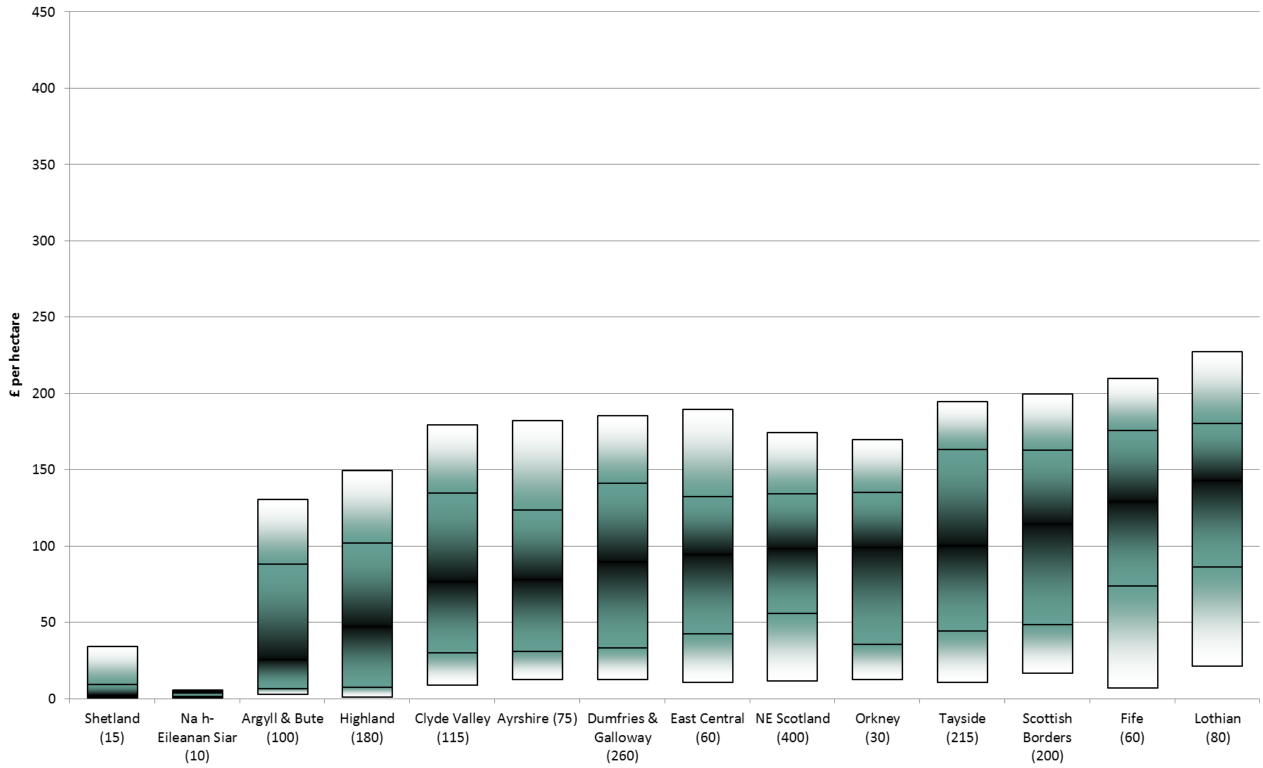


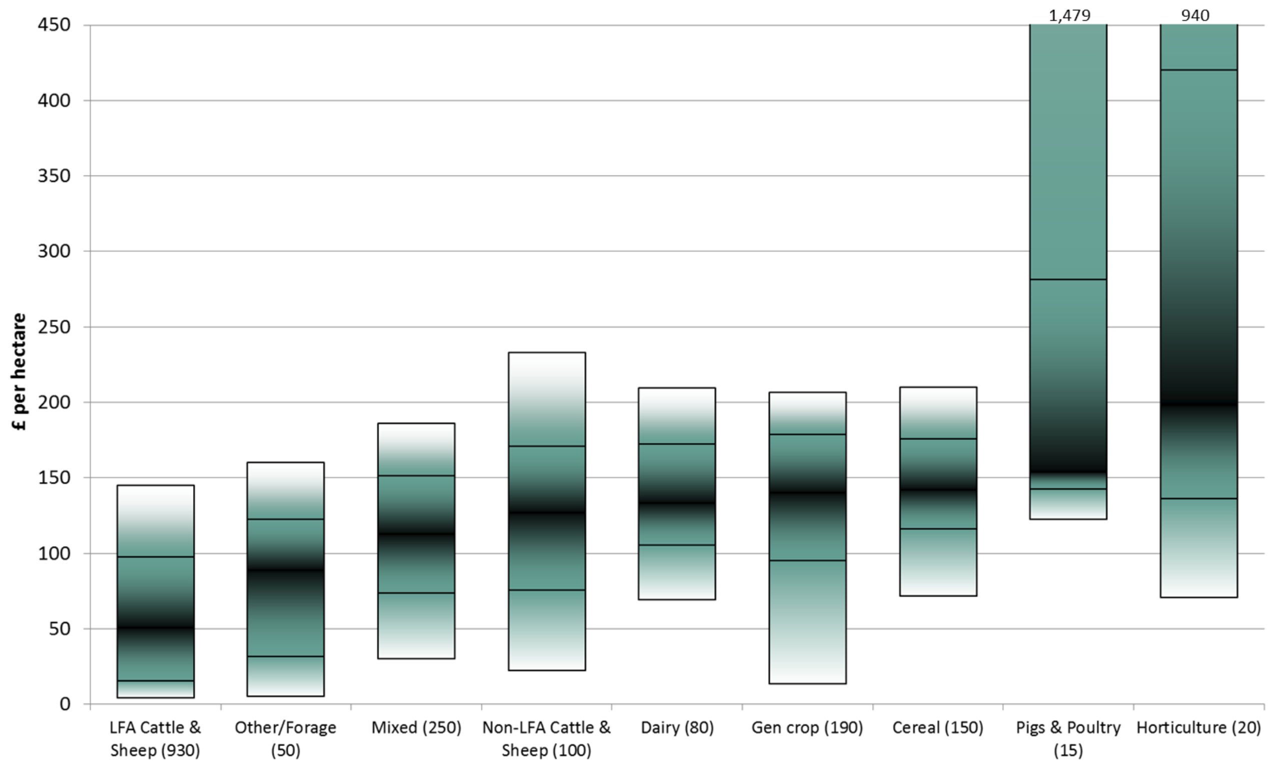
Chart 3, on the same scale as chart 2 for comparability, also excluding crofts and seasonal lets, shows the rents paid by farm-type[1].

Farm-type is, to a certain extent, determined by the quality of land, and so it would be understandable if some differences appeared between categories in this chart. However, there is little difference between farm types, with the exception of LFA cattle & sheep farms showing predictably lower rents, and the rents for pigs & poultry and horticulture extending much higher. The larger values of rent per hectare in these latter categories generally relate to rents of a few thousand pounds for quite small areas, presumably with sheds and glasshouses.

Chart 3: Range of rents paid per hectare, by farm-type, excluding crofts and seasonal lets, 2016/17

Bars show 90 per cent, upper quartile, median, lower quartile and 10 per cent values. The figure below the label shows approximate number of leases for which data were returned.

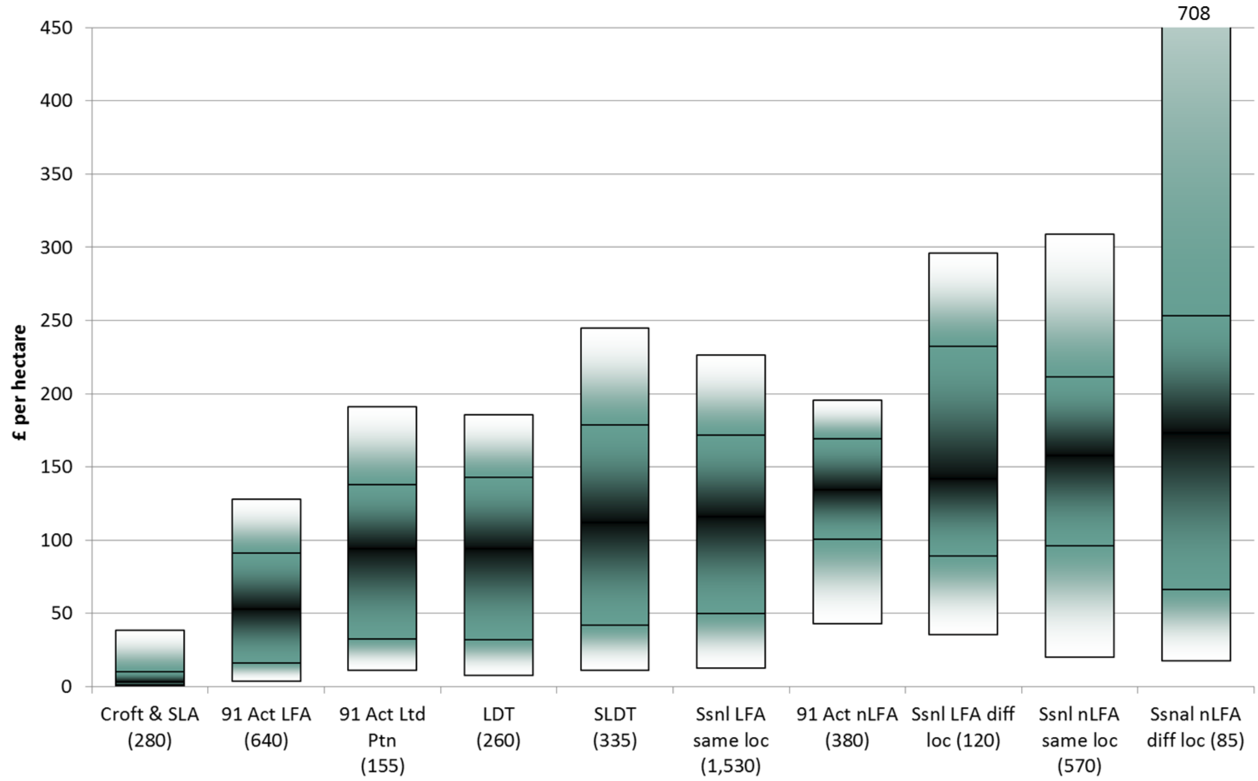
source: Table 3



[1] Most crofts were LFA cattle & sheep, or LFA other. See chart 4 for croft rents.

Chart 4, on the same scale as charts 2 and 3 for comparability, shows the range of rents by type of tenancy, with seasonal lets split between LFA and non-LFA and whether on a recurring location, and traditional 91 Act tenancies split by LFA and non-LFA. The chart shows the low rents on crofts and the few returns from Small Landholders Act (SLA) tenancies. This was followed by 91 Act tenancies on LFA land. There is little difference in the rates between the two longer fixed-term arrangements, and then again little difference in the median value of SLDTs, seasonal lets on a recurring location. This was followed by 91 Act tenancies on non-LFA land, where there was much less variation, and then greater variation in the other seasonal lets, particularly the seasonal non-LFA land on a new location.

Chart 4: Range of rents paid per hectare, by tenancy-type, 2016/17
Bars show 90 per cent, upper quartile, median, lower quartile and 10 per cent values. The figure below the label shows approximate number of returns. source: Table 3



3.4 Rents paid – overall average per hectare

As detailed in section 3.2, in the above analyses, rent per hectare for a tenancy covering a large area of land is treated equally to one covering a small area, and results from different farm-types are not weighted to make data for each farm-type representative of their size in the industry.

However, in order to estimate the overall cost of rent for the estimate of Total Income from Farming, the data have been weighted accordingly to produce a total rent figure. This results in an estimated overall average (including crofts but excluding seasonal lets and rents paid in kind) of £40 per hectare, £27 per hectare for LFA and £137 for non-LFA, with a figure of £53 million for the total amount of rent paid.

3.5 Historical trend

Chart 5 shows the trend in estimated average rent per hectare from 1998 to 2016.

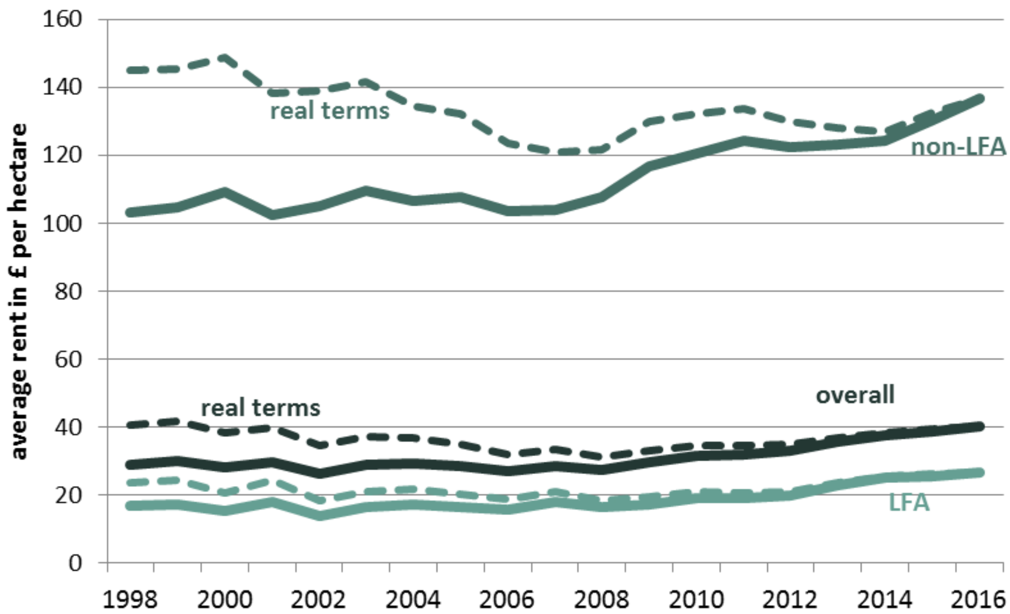
In estimating the average rent per hectare, survey data have been weighted-up so that, for example, the importance given in the calculation to the rent of LFA cereal holdings is in proportion to the actual area of tenancies on LFA cereal holdings in the census. This means that the calculation would not be affected by having too few or too many of a certain type of farm in our survey responses. However, due to the comparatively high non-response rate for this question, there are still some strata where values are based on best estimates.

The chart shows that

- between 1998 and 2008 there was very little change in the overall average rent paid per hectare, and hence a reduction in real terms, once inflation is taken into account.
- since 2008 there has been an above-inflation increase in rent (47 per cent or 30 per cent after accounting for inflation), particularly on LFA land which has risen 62 per cent (44 per cent in real terms).

These result in rents currently been at a similar level to 1998, once inflation is taken into account.

Chart 5: Average rent per hectare, 1998 to 2016 source: Table 2



In recent years there have been a reduction in the area of land rented under cheaper, long-term rental arrangements, and an increase in shorter-term limited duration tenancies. These arrangements are often more expensive, and this has driven up the overall average cost of renting. It should also be noted that most rents are not reviewed each year; for example, 1991 Act tenancies can be reviewed no more than every three years. Hence the overall average increase comprises those with no increase this year and those with increases above four per cent.

4. Notes

4.1 Data sources

Agricultural census: Data on the number and area of tenancies are taken from the June Agricultural Census. For a summary of these data and further details on the methodology used for the census please refer to the original publication of census results, available at the following link:
www.gov.scot/stats/bulletins/01250

December Agricultural Survey: Data on the rents paid are taken from the December Survey, an annual sample survey of about 14,000 holdings. The survey is stratified by size and region. For the first time this year, 7,000 of the sampled holdings were contacted by email, asking them to complete the survey online. However, those who did not initially respond were eventually sent a paper copy of the form as a reminder. 33 per cent of those who responded did so online. Approximately 10,100 holdings returned the survey, including 1,921 holdings that reported renting-in land in 4,350 leases (including seasonal lets). About 500 tenancies paid entirely or partly ‘in kind’ were reported, which have been excluded from the analysis. The following shows the approximate number of returns with non-seasonal rented land, by stratum, received in the 2016 survey. The random nature of the sampling within strata resulted in between 91 (Na h-Eileanan Siar) and 898 (North East Scotland) tenancies arrangements (including seasonal lets) per sub-region.

	0-<50ha	50-<200ha	200-<500ha	500-<1000ha	1000ha+
North East	87	308	107	17	14
North West	210	213	84	36	28
South East	88	323	212	68	33
South West	131	531	220	88	62

4.2 Methodology

Average rent

Average rental value is calculated by weighting the survey data using farm-type and size, and land-type. The sample is not originally stratified by farm-type, however the following table shows the breakdown of land-area used in calculations. It is clear that the overall average rate is heavily dependent on the rental value of LFA cattle & sheep farms.

Prior to 2013, calculations were based on the much smaller Tenanted Land Survey (see the previous versions of this publication[2]), with values often built up from five-year averages or best estimates for those farm-types with only small representation within the sample.

[2] www.gov.scot/stats/bulletins/01096

area in 1,000 hectares

	LFA					non-LFA				
	0-<50ha	50-<200ha	200-<500ha	500-<1000ha	1000ha+	0-<50ha	50-<200ha	200-<500ha	500-<1000ha	1000ha+
Cereals	0.8	3.5	1.4	-	-		20.7	12.0	1.5	1.2
Gen Cropping	0.7	2.1	1.5	-	-		22.5	19.2	1.8	5.9
Horticulture	0.6	0.1	-	-	-		1.5	0.6	-	-
Pigs and poultry	0.7	0.2	-	-	-		0.4	0.5	-	-
Dairy	0.7	8.9	3.0	-	1.4		3.6	2.8	-	-
Cattle & Sheep	55.4	107.8	146.5	171.4	518.8		11.7	4.5	1.8	1.9
Mixed	3.5	9.5	9.6	6.9	4.5		16.3	12.1	1.3	1.2
Forage/other	32.2	17.7	12.3	8.4	21.1		3.1	0.5	-	-

For 2013 onwards, farm-type, including the LFA/non-LFA split, and size band were again used to stratify the data. The larger dataset means that average rents based on a single year can be used for a greater number of cells within the stratification, with a best estimate provided for others. However, all of the strata covering the largest amounts of rent have useable one-year data.

4.3 Uses of the data

Land tenure and conditions for renting have for long been an important issue in Scottish life and this publication seeks to present data for use in the on-going discussions about tenant farming. The uses of the information in this publication include the following:-

- Rent information is included as a cost to farming in calculating the total net income from farming (TIFF), as part of the national accounts. The rents reported in the December Survey for each category are grossed up to the total areas reported in the census, to calculate the total amount of rent paid. This estimate, less any income from rents, is published each year in the *Total Income from Farming Estimates for Scotland* publication.
- The information on rents may be used to monitor the cost of land rental in different categories of land.

4.4 Other publications

Results from all Scottish Government agricultural surveys can be accessed here: www.gov.scot/agricstats

Results from previous June censuses can be accessed here: www.gov.scot/Topics/Statistics/Browse/Agriculture-Fisheries/PubFinalResultsJuneCensus
Previous publications relating to tenancy can be accessed here: www.gov.scot/Topics/Statistics/Browse/Agriculture-Fisheries/agtenancy

More information on tenancy policy in Scotland can be accessed here: www.gov.scot/Topics/farmingrural/Rural/rural-land/agricultural-holdings

Appendix of tables

Table 1: Regions, sub-regions and local authority areas

Region	Sub-regions	Local Authority
North West	Shetland	Shetland
	Orkney	Orkney
	Na h-Eileanan Siar	Na h-Eileanan Siar
	Highland	Highland
North East	NE Scotland	Aberdeen City
		Aberdeenshire
		Moray
South East	Tayside	Angus
		Dundee City
		Perth & Kinross
	Fife	Fife
	Lothian	East Lothian
		City of Edinburgh
		Midlothian
		West Lothian
	Scottish Borders	Scottish Borders
South West	East Central	Clackmannan
		Falkirk
		Stirling
	Argyll & Bute	Argyll & Bute
	Clyde Valley	East Dunbartonshire
		East Renfrewshire
		City of Glasgow
		Inverclyde
		North Lanarkshire
		Renfrewshire
		South Lanarkshire
		West Dunbartonshire
	Ayrshire	East Ayrshire
		North Ayrshire
		South Ayrshire
	Dumfries & Galloway	Dumfries & Galloway

Table 2: Average rent per hectare for full tenancies, including crofts, 1998/99 to 2016/17

	Actual prices			Real terms		
	LFA	Non-LFA	Total	LFA	Non-LFA	Total
1998	17	103	29	23	145	41
1999	17	105	30	24	146	42
2000	15	109	28	21	149	38
2001	18	102	30	24	138	40
2002	14	105	26	18	139	35
2003	16	110	29	21	142	37
2004	17	107	29	22	134	37
2005	16	108	28	20	132	35
2006	16	103	27	19	123	32
2007	18	104	29	21	121	33
2008	16	108	27	19	122	31
2009	17	117	30	19	130	33
2010	19	120	31	21	132	35
2011	19	124	32	21	134	35
2012	20	122	33	21	130	35
2013	23	123	36	24	128	37
2014	25	124	38	26	127	38
2015	26	130	39	26	133	39
2016	27	137	40	27	137	40

Table 3: Median, quartile and decile rents by category, 2016/17

	10%	lower quartile	median	upper quartile	90%	sample size
Sub-region						
Shetland	1	1	3	9	34	15
Orkney	13	36	99	135	170	30
Na h-Eileanan Siar	1	1	4	5	6	10
Highland	1	7	47	102	149	180
NE Scotland	12	56	98	134	175	400
Tayside	11	44	100	163	195	215
Fife	7	74	129	176	210	60
Lothian	22	87	143	181	228	80
Scottish Borders	17	49	115	163	200	200
East Central	11	42	95	132	190	60
Argyll & Bute	3	7	26	88	131	100
Clyde Valley	9	30	77	135	179	115
Ayrshire	13	31	78	124	182	75
Dumfries & Galloway	12	34	90	141	186	260
Farm type						
Cereal	72	116	142	176	210	150
General Cropping	14	95	140	179	207	190
Horticulture	71	136	198	420	940	20
Pigs and poultry	123	142	154	281	1,479	15
Dairy	69	105	133	172	210	80
Cattle and Sheep (LFA)	4	15	50	98	145	930
Cattle and Sheep (non-LFA)	22	76	127	171	233	100
Mixed	30	74	113	151	186	250
Forage/other	5	32	89	123	160	50
Rental type						
Crofting/ Small Landholders Act	0	1	3	10	39	280
91 Act LFA	4	16	53	91	128	640
91 Act non LFA	43	101	135	169	196	380
91 Act Ltd Partnership	11	32	94	138	191	155
Short Limited Duration Tenancy (SLDT)	11	42	112	179	245	335
Limited Duration Tenancy (LDT)	8	32	94	143	186	260
Seasonal LFA on same location	13	50	116	172	226	1,530
Seasonal LFA on different location	36	89	142	233	296	120
Seasonal non-LFA on same location	20	96	158	211	309	570
Seasonal non-LFA on different location	18	67	173	253	708	85

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The data collected for this statistical bulletin:

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☐ are available via an alternative route

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