**EXPLANATORY MEMORANDUM TO**

**THE AGRICULTURAL HOLDINGS (UNITS OF PRODUCTION) (ENGLAND) ORDER 2014**

**2014 No. 2712**

**1.** This explanatory memorandum has been prepared by the Department for Environment, Food and Rural Affairs and is laid before Parliament by Command of Her Majesty.

## 2. Purpose of the instrument

2.1 The Units of Production Order (UPO) sets out values for agricultural production, which are used in assessing the productive capacity of agricultural land and to determine whether it is a 'commercial unit' of agricultural land. A 'commercial unit' of agricultural land is defined in the Agricultural Holdings Act 1986 and means a unit of agricultural land which, if farmed under competent management, is capable of producing a net annual income which is not less than the sum of the average earnings of two full-time, male agricultural workers aged twenty or over.

## 3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

## 4. Legislative Context

4.1 Under the Agricultural Holdings Act 1986 ("the 1986 Act") one of the criteria for statutory succession to an agricultural tenancy is that the potential successor is not already in occupation of a commercial unit of agricultural land. This is known as the commercial unit test. Where there is a dispute about succession to a tenancy the application can be opposed at the Property Chamber of the First Tier Tribunal. In all cases the Tribunal must be satisfied that the commercial unit test is met. Parties to a succession case, or the Tribunal itself, can ask the Secretary of State to provide a statement of net annual income (NAI) of land occupied by a succession applicant to assist in determining whether or not the commercial unit test is satisfied for the purposes of proceedings under section 39 and 53 of the 1986 Act. The NAI has to be determined by reference to the provisions of the current UPO, which the Secretary of State is required to make annually.

## 5. Territorial Extent and Application

5.1 This instrument applies to England only.

## 6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## 7. Policy background

7.1 The 1986 Act contains provisions which enable certain categories of family members to apply to succeed to the agricultural tenancy of a tenant who has either died or who wishes to retire. These provisions only apply where a tenancy was entered into before 12 July 1984 and there have not already been two statutory successions. They do not apply to 1986 Act tenancies granted after July 1984, or to any farm business tenancies granted pursuant to the provisions of the Agricultural Tenancies Act 1995. Nevertheless, because the legislation provides for two generations of statutory succession, succession tenancies have the potential to continue for some time to come. Under the current provisions of the 1986 Act the UPO will need to be made annually until all such tenancies have expired.

7.2 The first annual UPO was made in 1984. Since then, subsequent Orders have updated the values shown for the different types of agricultural production. The figures are produced by Defra from data provided by various sources and represent the net annual income which, on average, might be expected from the main types of crop and livestock. As this is an annual updating exercise the Orders are not subject to consultation.

7.3 In previous years the values set out in the Order included, for the main types of crops and livestock, the relevant European subsidies for each sector. As a result of CAP reform subsidies have been decoupled from the production under the Single Payment Scheme. A public consultation was carried out by Defra in June 2005 on proposed changes to the UPO to take account of income from the Single Payment Scheme and other developments in agriculture. Following the consultation exercise it was agreed that income from Single Payments should be reflected in future Orders. The UPO for 2014 therefore includes values for income from the Single Payment Scheme as well as the usual values for different farming enterprises. As part of the consultation it was agreed that where the net annual income from a farming enterprise represented a loss this would be reflected in the Orders as a negative value, rather than showing a zero value. Accordingly certain negative values are shown in this year's UPO.

## 8. Consultation outcome

8.1 None

## 9. Guidance

9.1 None

## 10. Impact

10.1 This instrument has no impact on business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument

## 11. Regulating small business

11.1 The legislation does not apply to small business.

## 12. Monitoring & review

12.1 As this instrument is made annually no monitoring is required.

## 13. Contact

13.1 Susan Ivory at the Department for Environment, Food and Rural Affairs. Tel: 020 7 238 2192 or email: susan.ivory@defra.gsi.gov.uk who can answer any queries regarding the instrument.