



## Customer case study – Trend towards farm ownership boosted by low interest rates

The number of tenant farmers who have had the opportunity to purchase their farms has increased significantly since 2009 according to **Kevin Guy** from the Bedale office of George F White.

Mr Guy, who specialises in the valuation of rural properties and agricultural tenancy related matters, is an Agent for AMC in the North East and Yorkshire. Over the past two years he has seen a marked increase in the number of tenant farmers who are taking out long-term borrowings to fund the purchase of the farms that they have historically rented.

This trend has been prompted by rising land prices which have tempted many landlords to put their farming estates on the market. "Since 2009 we have seen a number of tenants taking the opportunity to purchase their farms," Kevin explains. "These opportunities have arisen as landlords have been looking for ways to release capital and invest in other non-farming sectors.

"And with land prices continuing to rise, more and more traditional landlords are starting to realise that they can get a better return on their investment by selling their agricultural estates rather than continuing to lease their land for a relatively modest monthly income."

### Now is the right time to invest

The farming sector has remained strong during the financial downturn and Kevin believes that now is the right time for farmers to invest. "Food prices are starting to rise again and economic factors such as a weak pound and low interest rates continue to favour UK farmers. Coupled to this, interest rates on long-term money are currently extremely competitive, making it more cost effective than ever before to invest in farmland and buildings. It is important that businesses consider the current opportunities, not least because interest rates are likely to rise in the longer term.

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"AMC recognises the long-term potential of farming and is supportive of those farmers with strong business plans," Kevin continues. "As the largest provider of long-term agricultural finance in the UK, AMC offers loans that are flexible and unrivalled in that they can be paid over terms up to 40 years and on fixed or variable interest rates."

One farmer who has recently taken advantage of these low interest rates is Graham Donaldson who, along with his two brothers, has recently purchased his formerly tenanted farm on the

edge of the North Yorkshire Moors. Viewley Hill Farm has been home to the Donaldson family since 1942 when Graham's grandfather took on the tenancy of the 160 acre mixed farm. Since then, three generations of the family have steadily been expanding the farm by purchasing neighbouring parcels of land. This process included the purchase of 125 acres in 1982 which was funded using money borrowed from the Donaldson's bank.

### From tenant farmer to owner-occupier

In December 2009, the opportunity arose to purchase the tenanted land and farm buildings, as well as an additional 180 acres.

"Our landlord was keen to sell a large chunk of agricultural land for a number of reasons," Graham explains. "Land prices had reached a high and he realised that he could make a better return by selling the land to us instead of continuing the ongoing tenancy agreement."

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### Viewley Hill Farm – enterprises

- 720 acre mixed farm
- Barlees Herd: 120 pedigree Holstein-Friesians
- Beef: 60 animals
- Sheep: 300 ewes
- Arable: wheat, barley and oilseed rape



Graham Donaldson (left) of Viewley Hill Farm, with Kevin Guy from the Bedale office of George F. White

**Continued from overleaf...**

Following a series of family discussions and meetings with various farm business consultants, Graham and his brothers decided to take the plunge and purchase the farm outright.

Unfortunately the process of raising the required capital wasn't all plain sailing. "We looked at three options to raise the money," Graham explains. "Initially we approached our high street bank, but after 10 weeks of negotiations and numerous meetings we still didn't have a definitive answer. When they finally made an offer the bank wanted to charge huge arrangement fees and a set of repayment terms that simply weren't palatable." The second option was to seek funds from an alternative bank. "They offered a good product," Graham explains, "but their rates weren't competitive enough." Graham therefore contacted Kevin Guy and asked him to provide a quote for an AMC loan.

Within a week an approved loan offer was confirmed.

"We had used AMC in the past and had always been delighted with their level of service. We weren't disappointed this time either as the whole process was hassle free and easy to arrange. And best of all, their lending rates turned out to be the most competitive. We have borrowed half of the total loan amount at a fixed rate for 25 years, with the remaining 50% currently on an interest only variable rate."

Despite a few sleepless nights worrying about going from a business with no outstanding debts to having a large loan to service, Graham is confident that the whole project has been worth it. "The farm is ours and we can plan further ahead now that our long-term future at Viewley Hill is secure. We have increased cow numbers from 90 to 120 to make it more comfortable for us to service the loan, and that has seen milk production increase by more than 1,000 litres per day. We are also in the process of building a new shed to provide more cow housing and are considering investing in a new parlour to reduce milking times."

**Considerations before borrowing**

Kevin Guy believes that there are a few simple guidelines any would-be borrower needs to

adhere to before contemplating a large scale investment or land purchase. "In order to be in a strong enough position to borrow, a business must be able to show a clear ability to service any new loan agreement. A profitable business with a firm base in agriculture should have no problems securing the necessary funding, as long as it can provide enough equity and show that it is able to afford the scheduled repayments.

"The best piece of advice is to seek good quality professional guidance to establish whether your plans are viable. From there it is simply a case of finding the best deal and ensuring that you fully understand the finer points of your loan agreement."

**We can help you...**

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