Rural Development: Young Farmers Start-Up Grant Scheme full guidance

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Updates to last version:

- *Who can apply* section: changed from 'starting a business for the first time' to 'setting up as head of the holding of a new or existing farming business for the first time' with additional clarification

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Purpose

Scottish farming needs to attract a steady flow of young farmers and young crofters.

The average age of farmers in Scotland is increasing and there are not enough opportunities to attract the numbers of new entrants that the industry needs. This is a problem across the whole of Europe.

It is a priority for the Scottish Government to support a new generation of farmers in agriculture. Providing support for businesses in the critical early stages will make it easier for new entrants to access development capital.

This scheme aims to contribute towards an increase in the number of young entrepreneurs who farm and build profitable, innovative businesses that respond to the industry's changing economic environment.

Scope

Young Farmers Start-Up Grant Scheme support is aimed at helping young farmers or crofters. The grant is linked to the delivery of your business plan objectives and must be central to core agricultural activities.

For example, the grant may be used for the acquisition of land or livestock. You **must** commence implementing your business plan within nine months of the grant award date.

It is aimed at those who are **starting** an agricultural business for the first time or who are taking over an existing agricultural business.

- you must be between 16 years of age and under 41 years of age at the point of application
- your business must demonstrate future standard outputs in the range of €10,000 to €600,000 using our Standard Output Ready Reckoner (see 'Standard outputs' section below) at the point of application

Standard outputs

Access to grant will be based on your standard output.

Standard outputs are representative of the level of output that could be expected on the average farm under 'normal' conditions (i.e. no disease outbreaks or adverse weather).

Standard outputs measure the total value of output of any one enterprise – per head for livestock and per hectare for crops. For crops this will be the main product (e.g. wheat, barley, peas) plus any by-product that is sold, for example straw. For livestock it will be the value of the main product (e.g. milk, eggs, lamb, pork) plus the value of any secondary product (e.g. calf, wool) minus the cost of replacement.

No subsidies or costs are taken into account.

To establish the standard output for your business we have provided an easy-to-use Standard Output Ready Reckoner.

Standard Output Ready Reckoner (PDF, Size: 15.9 kB)
doc_external_url: https://www.ruralpayments.org/media/resources/standard_output_ready_reckoner_v270315.xlsx [Please note this is an xls spreadsheet]

These figures cover most agricultural operations. However, it is possible that your business or proposed business activities are not covered in the Ready Reckoner.

If this is the case we can determine standard output figures from comparable activities. However, you will need to contact your local area office to request these figures.

Level of grant

The grant is €70,000, which, depending on exchange rates, is approximately £58,000.

Support will be in the form of two payments:

- an initial payment of €63,000, which, depending on exchange rates, is approximately £52,200
- a second instalment of €7,000, which, depending on exchange rates, is approximately £5,800. This is payable on reaching the milestones laid down in your business plan

The maximum period between the payments is four years.

Who can apply

This scheme is open to young farmers or young crofters **setting up** as head of the holding of a new or existing farming business for the first time and who are **between the age of 16 years and under 41 years of age** at the point of application.

The process of **setting up** as head of holding may involve some of (though not exclusively) the following: the purchase or lease of land, purchase or lease of stock, cultivation of crops, commencement of trading, registering the business with companies house.

The application must be **submitted no more than 18 months after the 'setting up' process has commenced.** This means the date you took your first action to set up as a head of holding; see examples above.

If you meet the above criteria, you must also, on the date of submitting your application, show that:

- you are or will be
  - a sole trader, or
  - an equal partner with other young farmers, or
  - the controlling partner with other farmers, or
  - the majority shareholder in a company (limited or unlimited)
- have a suitable agricultural qualification (at least to National Vocational Qualification Level 2 or equivalent), or be able to demonstrate through witness testimony or other alternative means that you have a minimum of five years relevant practical agricultural experience

If you, or other young farmers or crofters in your business, do not hold a suitable agricultural qualification at the time of application – and the business plan does not include an aim of achieving an appropriate qualification within three years after the approval date for grant – an explanation must be given as to why this is not considered necessary.

You must also be able to demonstrate you have or will have control of the business.

Business eligibility

In addition to the above individual eligibility, your business must also meet the following criteria:

- if the business is a partnership, the young farmer(s) must individually hold a minimum of 25 per cent of the capital of the business
- if one or more young farmers are in partnership with other partners who do not qualify as young farmers, there must be a legal agreement which demonstrates that the young farmers have control of the business as regards day-to-day management, financial planning and long-term business strategy
- the legal agreement must specify that partners who are not young farmers cannot exercise control of the business against the wishes of the young farmers
- where the business is a company and the controlling majority is held by more than one young farmer, there must be a legal agreement that they will vote together to ensure they cannot be out-voted by other shareholders who do not qualify as young farmers
- the business must undertake to comply with animal health and welfare legislation and with Cross Compliance requirements (Statutory Management Requirements and Good Agricultural and Environmental Conditions)
- the business must comply with the definition of an active farmer under Article 9 of Regulation (EU) No 1307/2013 within 18 months from the date from which it was set up
- to be able to apply, the business must be registered with the Rural Payments and Inspections Division (RPID)

Eligible costs are those linked to the delivery of your business plan objectives and must be central to core agricultural activities.

How to apply

Applications can be made to any RPID area office. You can check contact details for your nearest office below.

Contact us

There will be two windows for applications each calendar year:

- between 1 January 1 and 30 April
- between 1 July 1 and 31 October

Note that in in 2015, however, there will be one application window that closes on 30 September.

Applications will be considered by our staff and approval of applications will be made by Principal Agricultural Officers.

Application form

The application form is a simple document that provides the details of:

- your business or business proposal
- members of your business
- a short summary of the business plan
- any relevant declarations and undertakings which must be made

We will also require the following supporting information with your application form:

- a copy of your business development plan. This must:
  - describe the current financial and physical position of the business, as well as future cash-flow projections
  - if intended expenditure exceeds the grant, explain how the other necessary finance will be raised
  - set milestones to show how the business will develop over the next five years
  - specify what investments or costs the start-up grant will support and, if applicable, what any other financial support is intended to be used for
  - provide details of any training to be undertaken
  - provide details of steps that will be taken to meet environmental, climate change and resource efficiency requirements
- copies of any available certified documents to demonstrate that the business is in the process of setting up for the first time, e.g. tenancy agreement, letter of intent, VAT registration
- proof of suitable agricultural qualification (if held)
- evidence of five years of agricultural experience if no formal agricultural qualifications are held (including independent testimony)
- personal development plan of young farmer(s) to attain qualifications if none are held or detailed explanation why qualification is not required
- a copy of the birth certificate or other proof of age for the young farmer(s) / crofter(s)
- evidence to confirm control of the business if the young farmer / crofter is not a sole trader. This will be a copy of partnership agreement or other legal agreement
- if the business is a company, then evidence of shareholding at the point of application must be supplied

You must commence implementing your business plan within nine months of the grant award date.

Selection criteria

The funds available for this scheme are limited and it may not be possible to approve all eligible applications.

If this is the case, preference will be shown to those businesses that are not succession cases. This is because these are likely to have restricted access to alternative private funding and have less capital assets or infrastructure than those established businesses which have been trading for a considerable time.

Other factors that we will also consider are:

- the composition and make-up of the business in terms of its membership and the governance arrangements in place to ensure the smooth running of the business
- whether any additional investment is to be made without public support
- the effect of the investment on the physical agricultural output and labour requirement of the business
- the sector of agriculture to which the business belongs

Approval and contract

If your application is approved you will be notified and a contract will be sent to you which you must sign and return to us.

Claim and payments procedure

After you have signed and returned your contract you will need to submit a claim form to one of our area offices when you are ready to make the investment or expenditure. This claim must confirm what the grant will be used for.

On receipt of your claim, we will aim to pay the first instalment of the grant into your bank account within 15 working days. If queries are raised on the claim, this period may be longer.

The business plan will be reviewed by us within four years of the acceptance of the contract. The review will compare progress against the business plan and consider any discrepancy. Where the business plan has not been followed or progress is not satisfactory, the Scottish Government may withhold part or all of the remaining payment and require repayment of part or all of the claim already paid.

If the progress with the business plan is acceptable, the final instalment will be paid.

Verification and control

You will be asked to provide evidence of progress with the plan and also control of the business periodically during the five years after acceptance of the contract.

Your claim will also be subject to our inspections procedure. This means that your farm or croft may be visited to confirm the expenditure made.

You may also be visited during the period of your five year plan to assess delivery of the plan against specific milestones and to confirm that the young farmer or crofter is still in control of the business.

Legal base

- Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on (inter alia) the European Agricultural Fund for Rural Development
- Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development
- Commission Delegated Regulation (EU) No 807/2014 (supplementing Regulation (EU) No 1305/2013)
- Commission Implementing Regulation (EU) No 808/2014 (laying down rules for the application of Regulation (EU) No 1305/2013).
- Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the Common Agricultural Policy
- Commission Delegated Regulation (EU) No 640/2014 (supplementing Regulation (EU) No 1306/2013) with regard to the integrated administration and control system and conditions for the refusal of payments and administrative penalties applicable to direct payments, rural development support and cross compliance
- Regulation (EU) No 1307/2013 of the European Parliament and of the Council establishing rules for direct payments
- Commission Delegated Regulation (EU) No 639/2014 (supplementing Regulation (EU) No 1307/2013) as amended from time-to-time

Applying for other assistance

Your business may be able to access other grant schemes under the Scottish Rural Development Programme.

Your business plan will help provide a basis for access to these other schemes, although additional information may be required and the proposal will be considered competitively with other applications.

Where appropriate, you may also be able to benefit from the higher grant rates allowed to young farmers.

However, you cannot receive grant funding for the same costs from separate schemes.

For example, if your business plan relates to the construction of a shed and you receive a New Entrants Capital Grant, which provides 60 per cent of the costs, you cannot use this scheme to provide the other 40 per cent of the costs.

If you apply to this scheme you may also apply for any of the capital grants. However, your business must have become established, i.e. be in receipt of an award, before you will be eligible to apply for other capital grant schemes.

Capital grant schemes funded through the Scottish Rural Development Programme which may be appropriate are:

- Crofting Agricultural Grant Scheme
- New Entrant Capital Grant Scheme
- Small Farms Grant Scheme

When applying for funding from more than one scheme, there will be different eligibility requirements regarding the business establishment dates.

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