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From the President

15 November 2012

Sammy Wilson MLA MP
Finance Minister
Department of Finance and Personnel
Rathgael House
Balloo Road
Bangor BT19 7NA

Dear Minister Wilson,

Rating of farms growing and processing Short Rotation Coppice – Willow Chip

I am writing to you on behalf of one of our members;

Trevor Thompson

Personal information redacted by the RHI Inquiry

Our member is currently the subject of “a test case” being taken by Land and Property Services, who are asserting that a shed erected on the farm to dry and store willow grown on that farm, should be rated as an industrial building, rather than agricultural.

Background to Willow - Mr Thompson grows Short Rotation Coppice (SRC). SRC is coppice which planted on his farmland and harvested every three years. After being harvested, the resulting willow wood chip is dried. Drying is an integral part of the process as it cannot be stored with being dried.

UFU Position - The Ulster Farmers' Union would like to support Mr Thompson's position. The SRC growing and processing operation is “agricultural” and should be treated as so in terms of ratings policy, for the following reasons;

- **The Nitrates Action Programme Regulations (Northern Ireland) 2006** - defines agricultural land as having the same meaning as in the Agriculture Act (Northern Ireland) 1949 thus including Osier land (willows).
- **Common Agricultural Policy** – In the EU Commission DG for CAP Reform proposals presented on 23 January 2003, energy crops (ie willow) were classified as agricultural.
- **Single Farm Payment (SFP)** - The 2008 European Integrated Administration and Control System (IACS) states the criteria for receiving SFP; “you must be a farmer undertaking agricultural activity”. IACS further clarifies this by stating “If you use land for Energy Crops, you will also be eligible to claim the Single Farm Payment; clarification that the growing of energy crops is indeed agricultural as it receives the SFP.

- **Inheritance Tax** – For the purposes of Inheritance Tax, HMRC define under IHTM24063 - Agricultural purposes: short rotation coppice;

“In relation to transfers of value or other events occurring on or after 6 April 1995, the cultivation of short rotation coppice is regarded as an agricultural purpose (IHTM24060). Land on which it is cultivated is regarded as agricultural land, and buildings used in connection with its cultivation are regarded as farm buildings.

In other words, HMRC view SRC as agricultural and I would urge Land and Property Services to do the same.

- **Income Tax/Corporation Tax/Capital Gains Tax** - ITA2007/S996 and FA95/S154 provides that the cultivation of short rotation coppice shall be treated as farming for Income Tax, Corporation Tax and Capital Gains Tax purposes. The Act defines ‘short rotation coppice’ as ‘a perennial crop of tree species planted at high density, the stems of which are harvested above ground level at intervals of less than ten years’.
- **Feed v Fuel debate** - Historically in Northern Ireland, grain was grown to feed horses which would then transport goods from the farms to markets, what is the difference between and growing energy crops today? There are both “fuels” When horse-drawn haulage was the norm, 1/3 of farm land in NI was used to produce feed for horses.
- **Traditional Farming** - The drying and storage of this agricultural product (willow chip) must therefore be considered alongside crops such as cereals. Modern farming means that cereal crops need to be dried and the UFU believes that there is no difference between this and SRC processing.
- **NI Energy Policy** – The NI Executive is committed to a target of 10% renewable heat by 2020 and biomass is a key component of the mix of energies required to meet that ambitious target. Any moves to rate SRC production as non-agricultural could compromise the meeting of these targets.

In modern farming, small scale renewables are integrated with traditional farm business. There is a distinct difference between diversification and integration. Farm diversification rarely integrates with existing businesses, yet the latter compliments existing farm practices, such is the case with SRC.

The land-based sector will contribute to the above targets but is also ear-marked to make a significant contribution to the wider rural economy. The growing of SRC and its storage is an example of such. Businesses such as this allow job creation during months when work is traditionally slowed down.

In conclusion, the UFU are asking that you consider this representation and consider our view that Mr Thompson and similar farms should be rated as agricultural now and in the future. As it currently stands, should Land and Property Services continue with their current line of reasoning, it could have far reaching implications for the Biomass Industry in Northern Ireland.

The UFU are requesting a meeting with yourself to discuss this matter directly.

Yours sincerely,



HARRY SINCLAIR