

WRITTEN EXAMINATION

PAPER II

14th NOVEMBER 2002

10.45am – 12.45pm

Time Allowed - 2 Hours

Instructions to Candidates:

1. Complete the Green Examination Information Sheet by stating your examination reference number (not your name) together with the area in which you are practising and the local Association of which you are a member. Attach the green sheet to the top of your answer pad and ring the numbers of the three questions that you have answered.
2. Write your reference number (not your name) on each page. Number each page in the top right hand corner.
3. Write on one side of the paper only, leaving the margin on the left hand side.
4. Start each answer on a separate sheet and place your answers in numerical order.
5. Time has been allowed for you to read through the Question Paper **AND PLAN** your answers.
6. You should attempt to answer three out of the five questions, listing them out on the green sheet.
7. All questions carry equal marks: 20 each.
8. Questions are framed so as to minimise the need to make assumptions but state clearly any that you do make and the reasons for them.
9. Where appropriate, you will be expected to state the relevant Act, Statutory Instrument or case upon which you have based your answers.
10. You may use imperial or metric measurements in your answers. Please indicate which units you are using.
11. The presentation and clarity of your answers is important.

QUESTION 1

Worried about the continuing decline in agriculture, your client has decided to branch out into residential property ownership. A row of 11 cottages has become available in the nearby market town. Your client would like to buy these but knowing nothing about the residential property legislation or property values has sought your advice.

The selling agents' particulars say that the tenancies of six of the cottages commenced in the early 1970s, the tenancies of two commenced in 1993, two are vacant and a farm worker has occupied the remaining one rent-free since 1986. The rents have never been reviewed and the collective annual rental income currently totals £8,712.

Prepare briefing notes for a meeting with your client on the legislation attaching to these tenancies, give an explanation of the process of reviewing the rents and state how you would determine the value of the row of cottages.

QUESTION 2

Your firm have recently received instructions to let a former covered yard (over which Planning Permission has already been obtained for B1 business and B8 storage use) on behalf of an established farming client who has already carried out the relevant conversion works to the building. Your client Maurice Austin has no experience in these matters whatsoever.

Set out for your client draft Heads of Terms of Agreement for the proposed licence or lease, highlighting the differences between the two.

Also highlight for your client the practical and taxation factors that need to be considered in pursuing the letting, having particular regard to the farming activities (beef and arable) that will be continuing within the farmstead.

QUESTION 3 – Answer EITHER Question 3A OR Question 3B

QUESTION 3A

Your client is considering under the terms of a standard Arable Contractive Agreement taking 200 hectares of IACS Eligible Arable land for the 2002/2003 cropping season.

He will receive a contractor's payment of £300 per hectare on cropped land and £30 per hectare on Set-Aside land for a full stubble to stubble operation. The farmer is to receive a prior payment of £200 per hectare before any other costs are met.

Any surplus, once the prior payments have been made, will be split 70% to the contractor and 30% to the farmer.

Assuming a sugar beet contract of 3,000 tonnes, the cropping policy for the season will be:

- 64 hectares Sugar Beet
- 73 hectares Winter Wheat
- 40 hectares Spring Malting Barley
- 23 hectares Set-Aside

Based on the information given, calculate the net return available to both parties assuming the contractor's prior charge includes all usual fixed cost items within it.

Set out in detail all relevant figures that are required to provide appropriate advice to your contractor client.

QUESTION 3B

Your tenant client is surrendering the tenancy of his farm, held since 1972, with effect from Lady Day. The farm is a dairy farm and so the main item of claim will be compensation for milk quota. The details of the farm and other land owned by the tenant are as follows.

1. The holding extends to 56 hectares, all of which is non-less favoured area land and all of which has been used for many years for the keeping of dairy cattle.
2. The holding includes a modest cottage-style farmhouse agreed to have been worth £500 within the annual rent in 1983.
3. Your client also owns two area of land, one of the 2 hectares which he has owned for many years and which has also been used by dairy cattle over that time. The second piece he has owned for three years. This extends to 38 hectares and had been used by dairy cattle by your client since he purchased it.
4. The total milk quota on the farm is 350,000 litres of which the tenant purchased 25,000 litres a few years ago.
5. The stock in 1983 was
 - 70 cows
 - 20 heifers in-calf
 - 20 heifers, 1-2 y.o.
 - 22 heifers, 6-12 m.o.
6. The tenant's improvements prior to 1983 included:
 - a) Erection of silage building to serve all cattle.
 - b) Conversion of landlord's shippoon to collecting yard and milking parlour.
 - c) Erection of slurry tank which serves all stabling.
 - d) Erection of cubicle house for 65 cows.
 - e) Provision of bulk milk tank.
 - f) Provision of bulk feed hopper for dairy cows.
7. The rent paid for the tenanted farm in 1983 was £4,200 per annum.

8. The buildings provided by the landlord before the work carried out by the tenant allowed for 30 cows to be accommodated.
9. The standard quota for non-less favoured area land used by Friesian dairy cattle is 7,140 litres per hectare.

Write a report to your client setting out your calculation of the apportionment of the milk quota, the Excess over Standard Quota and the tenant's Fraction of the Standard Quota. State any assumptions you have made and make reference to any legislation and case law you deem appropriate.

QUESTION 4

A client for whom you recently acted for the first time in settling a gas pipeline claim corners you in a hospitality marquee at your local Race Course in mid October. In bemoaning the state of agriculture he asks about the procedures for rent review on his 500-hectare tenanted holding which is an all-arable Combinable Crop farm eligible for Arable Area Payments. He currently pays £90,000 per annum, the rent last reviewed in 1996. The tenancy began in 1978 and is let on full repairing and insuring terms and includes a principle house, a range of buildings and two cottages.

The term date is 25th December and you discover that the landlord's Agent served a valid Section 12 Notice on 15th December 2001 but has taken no action since.

Write a letter confirming the points you made in conversation to record the informal advice you gave with regard to your client's options and the timescale for instigating arbitration and what the procedures involve.

QUESTION 5

You have recently qualified to the professional status of both FAAV and MRICS and working for a well established firm of rural Chartered Surveyors. On the strength of this, a former student friend from college days confronts you in the street and requests a 'favour' by way of a valuation of his father's landed estate in Hampshire so that the family can negotiate their long term loan requirements from the Bank.

You refer the request to your Principal and he asks you to set out in note form what preliminaries you should establish before undertaking the job, and what procedures should be followed in order to provide the required information.