No barley, no beer?

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Opinion

On 19 November more than 10,000 farm owners, their families, and employees gathered to protest in Westminster. Their motivation was the so-called Tractor Tax, introduced by chancellor Rachel Reeves as part of the government's October 2024 budget. Presented in its most basic form, the new law will see a 20 per cent inheritance tax introduced for agricultural assets valued at £1m or above. Any costs incurred because of it will be payable over 10 years. Since 1992, family-owned farms have benefitted from a soon-to-be-rescinded law known as Agricultural Property Relief (APR). This was introduced as a measure for protecting UK food security by preventing farm holders from selling up, due to the vocation being hard work that’s often not particularly lucrative for those involved. Several high-profile figures joined the protest, including Reform UK leader Nigel Farage (the UKs wealthiest MP with a net worth of £3.2m) and composer Sir Andrew Lloyd Weber (himself an owner of 5,000 acres of farmland, with a personal net worth of £504m). Jeremy Clarkson, the noted TV personality and star of Clarkson’s Farm, was also present. The celebrity has a personal net worth of £55.8m and a holding measured at 1,000 acres. Since 2021 he’s also owned a stake in the Cotswolds-based Hawkestone Brewing Company, and in July 2021 he acquired the Windmill, a pub near Burford, Oxfordshire, which he has renamed the Farmer’s Dog. Notably, Clarkson told The Times in 2021 that avoiding his fortune succumbing to inheritance tax was “the critical thing” when it came to his decision to purchase farmland, due to its previously held exemptions. He has since rescinded these comments and claimed he bought it “to shoot”. Brewing is an agriculturally adjacent industry, without farmers cultivating barley there would be no beer. Any detrimental costs incurred by farmers will trickle down the chain to breweries and hospitality businesses such as pubs, clubs and restaurants. The price of malt barley has been relatively unstable over the past few years, with lower-than-average yields combining with the war in Ukraine causing grain prices to surge. In 2023 one brewery owner told me they were paying 50 per cent more for their malt from their regular supplier than they were the previous year. However, a positive 2024 spring barley harvest seems to have brought some recent stability towards these costs. The worry from some breweries is that this Tractor Tax will equal further price increases, further adding to the trials and tribulations facing the industry – one where more than 300 breweries have either been forced into administration or closed permanently over the past four years. One Manchester-based brewery, JW Lees, has been outspoken about both the introduction of this new tax on farm holdings, and the reduction of Business Property Relief (BPR) on inheritances from 100 per cent to 50 per cent that was also introduced at the most recent Budget. Lees is a sixth-generation family business consisting of a brewery and 150 pubs with a net valuation of around £89m. While its MD William Lees-Jones is still unsure on how the agricultural tax will feed into his brewery's costs, it seems likely that the reduction of BPR will have an adverse effect on this brewery’s profits. “It’s a real minefield but effectively will force businesses to pay out dividends to pay tax rather than invest in their businesses,” Lees-Jones told me. “It will put us at a competitive disadvantage to listed and private equity-owned businesses.” It remains to be seen what kind of impact the reintroduction of inheritance tax for family-owned farms will have on the roughly 209,000 holdings across the UK. The National Farmers Union (NFU) has claimed this tax will affect around 70,000 of its members. Meanwhile a report published by BBC Verify claimed it could be as few as 500 a year for the first 10 years – about 2.4 per cent of UK holdings. At present around 462 inherited farms in the UK have a value of more than £1m. There are also several existing loopholes that will increase this threshold significantly. These include a valuation of an additional £1.35m that can be passed on tax free to a spouse, a £325,000 exemption on any property, and £175,000 on any residence that is passed on to children. Not to mention, that were a farmer to pass on any property or land while they were still alive, this would become exempt from any inheritance tax if they died more than seven years after the exchange was made. Whether or not this new tax will add to the price of your pint remains unclear, but it looks unlikely to have any significant effect in the short-to-medium term. It seems more likely that the inflationary costs spurred by the decisions of the previous Conservative government, and the measures the new Labour government are introducing to mitigate this are having a far more detrimental effect on the cost of living – the price of a pint included. Farm holders, at least, have until the 6 April 2026 to plan for these new measures, when they will finally pass into law.