

BPS REPLACEMENT STRATEGIES

The summer workload and, on the whole, excellent combinable crop yields have been a welcome diversion for many – a chance to get lost in the more enjoyable and meaningful side of farming and worry less about the short and medium term future.

However, decent yields and tumbling prices, coupled with the backdrop of non-stop squabbling in Westminster, does unfortunately bring BREXIT back into focus as the dust settles. With the future of the Agriculture Bill both uncertain and low on the agenda (at the time of writing), about the only certainty is that the subsidy regime will be changing. Talking to our clients, we notice a number of different strategies for dealing with this:

1. A renewed drive to develop alternative income sources – a fresh and more aggressive approach to commercial letting of on farm units, more impetus with diversification ideas, development of on farm accommodation lettings, particularly via Airbnb.
2. Pursuing technical excellence – pushing for yield optimisation with new varieties, improved N utilisation, reduced trafficking, attention to soil organic matter and biological health.
3. Cost slashing – labour and machinery sharing/syndication continues to deliver sector leading cost efficiencies. Typically in surveys a BPS payment lower in operating cost than the average.
4. Embracing the concept of ELMS and public payment for public good – hard to monetise as yet but at a grassroots level we are witnessing formation of new local area allegiances and groups to coordinate baseline environmental data and form a conduit for talking to the likes of water companies and developers who are interested in reducing diffuse pollution or environmental offsetting.

5. Hoping the market will deliver – it is true that currency has historically had the greatest single influence on farm incomes and going forwards both currency and trade deals could massively change the market environment.

The latter ‘wait and see’ strategy is clearly the most risky. BREXIT remains out of control and just as likely to deliver a good result as a bad one in terms of impacts on agricultural markets, and in all likelihood the impact could be mixed between and within sectors depending on the net trade balance of a particular product.

Our advice is to embrace all of 1 – 4, and add:

6. Securing financial resilience by restructuring as necessary for positive cashflows and ensuring debt terms are long and secure.
7. Maximising ‘fitness’ of stakeholders, both physically and mentally for individuals so they are well placed to positively tackle new challenges, and ‘fitness’ in terms of cohesion of the stakeholder group (usually a family, often of several generations) – to ensure aims and ambitions are aired, agreed, understood and accepted (even if not aligned).

The final point about stakeholders is critical. The factor that tends to make the difference between a good business and a bad business is whether the individuals involved are either pulling in the same direction or support the same direction as they understand the common objective. This usually requires frank conversations – something we are very happy to mediate!

To talk through business strategy, please contact William Tongue on 07866 693899 email william.tongue@berrys.uk.com.

WHERE HAS MY BANK MANAGER GONE?

The past year has seen some of the Banks restructure their businesses to cut costs and many farmers losing their face to face Relationship Manager as a result. Many times in recent months, clients have told us ‘I have no Bank Manager’ or ‘I have to call Birmingham or Edinburgh and they just don’t seem to understand’. At a time when farmers are facing significant challenges as the full impact of Brexit in Agriculture becomes clear, this is not good news. Many good, sustainable businesses are finding that the help and support they want at this crucial time is simply no longer available.

HOW CAN BERRYS HELP?

Mark Lord joined Berrys business consultancy team two years ago after a long career with Lloyds Bank. Mark was a Regional Agricultural

Manager, is well-respected by many farmers and has vast knowledge and experience which he now uses to help farmers find the right financial solution for their business.

Mark and the other members of the team can help fill the void that many clients now encounter when they try to speak to their bank by working with them to prepare a business plan in a format which a lender can relate to. Through the contacts we have in the sector, this plan can then be presented to a range of lenders to unlock that vital support and find the right solution for the business.

If you would like to use our expertise, please contact William Tongue on 07866 693899 email william.tongue@berrys.uk.com.

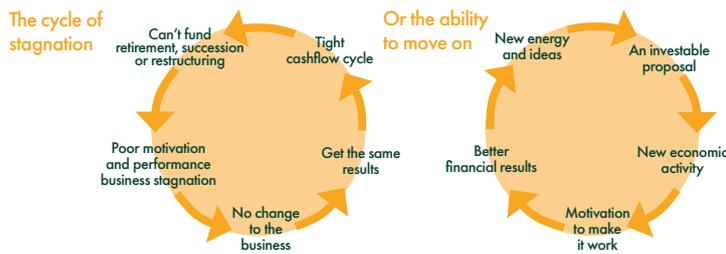
STIRRING UP SUCCESSION

Both farm businesses and farming families have a lot to gain from clearly defined succession plans. For individuals, time is precious and flies by so enjoyment, purpose and fulfilment are crucial. Enthusiasm gained from having a sense of purpose shows and pays – in attention to detail, energy and ideas. Motivated individuals who go above and beyond because it matters are what set top performing businesses apart from the average – whether it's the motivation to snatch a spraying opportunity at 6am on a Sunday morning or the energy to start a new diversified enterprise.

Comparing farm business performance is an interesting task. Increasingly variable costs are fixed and it is the variation in fixed costs that make the difference between profit and loss. Fixed costs are controlled by management performance which in turn depends on the skills, motivation and enthusiasm of the individual. Sadly, we observe that businesses where the previous generation die young or the business has started afresh, have performed well as a result of the freedom to take risk and innovate. This is not to say the older generation are in the wrong – wisdom and experience are extremely valuable, but the key is using them in conjunction with energy and youth, not against. It is perfectly understandable that different generations will have different viewpoints and attitudes to risk and reward, lifestyle and ambitions – the most successful businesses tend to be those that can recognise this and work together rather than pulling apart.

Understanding future financial requirements of a retiring generation, and being able to make suitable provision, is tricky. Often it proves the stumbling block that drives the vicious circle which at best keeps a business stationary and more often pushes it back. Unlocking and reversing the situation requires open and honest conversations, the advice of various professionals and usually a facilitator to help make the discussion happen.

Cycle of motivation, innovation and success – which way do you want to spin?



Berrys is experienced in succession issues, we are now offering a free consultation to review farm businesses and touch on key areas of performance, strategy and direction. If you would like to arrange a no obligation visit, please contact Guy Banham on 01536 532379 email guy.banham@berrys.uk.com.

COUNTRYSIDE STEWARDSHIP 2019 SUMMARY

	Amount	Claim Range
Number of applications	65	
Total acreage of options	2,689	£6.90 - £234.75
Total annual payments	£392,205	£243 - £47,579
Total capital payments	£1,656,478	£2,107 - £109,202
Total agreement value	£3,519,604	£7,524 - £237,896
Average value of scheme per farm	£54,148	

To discuss future schemes, please ring Tom Harris on 01327 227246 email tom.harris@berrys.uk.com.

STAFF FOCUS: SOPHIE WALL



WHAT ARE YOUR FARMING EXPERIENCES, QUALIFICATIONS AND WORK HISTORY?

I am not from a farming background but on joining my local Young Farmers Club at 16, I very quickly became immersed in rural life developing a keen interest in not only agriculture and farming but also the way of life. I graduated from Harper Adams University in 2014 and have since become a qualified Member of the Royal Institution of Chartered Surveyors and an RICS Registered Valuer. I joined Berrys Shrewsbury Office in January 2019 following a four year stint at a national firm.

WHY DID YOU CHOOSE YOUR CAREER?

Growing up, I always wanted to be a clinical psychologist but on completing my A Levels I decided I would prefer my further education to be closer to home and so I chose to go to Harper Adams and study REALM. Working at Berrys allows me to undertake a variety of work but also allows me to meet (and chat to) a wide range of people from a broad range of backgrounds.

WHICH PART OF YOUR JOB DO YOU FIND MOST REWARDING?

The main focus of my work is valuation for a variety of purposes. It is so satisfying to know that my work helps improve people's situations for example facilitating additional lending and assisting with inheritance tax valuations.

WHAT IS THE WORST PART OF YOUR JOB?

We try to be fairly flexible and it can be super irritating where others aren't – usually Government agencies or utilities call centres!

WHAT DO YOU DO TO RELAX?

Whilst I'm now too old to be a member of my local YFC I play an active role at County level and still get roped in to many events – unfortunately, usually on the wrong side of the bar!

WATER ABSTRACTION DEADLINE

Rules are changing for abstracting water, so previously exempt geographical areas and activities, will now need a licence. Farmers and growers affected by the rule change have until the end of 2019 to get a licence.

The Water Resources (Transitional Provisions) Regulations 2017 remove most exemptions, meaning that where more than 20 cubic metres per day is abstracted from a groundwater source, previously exempt abstractors will now have to apply for an abstraction licence.

A licence will also be required for purpose based abstractions exemption, such as water irrigation (other than spray irrigations which has always required a licence) and managed wetland systems or where water is abstracted into and between internal drainage districts.

Evidence will be required upon application, of what has been abstracted during the 7 year qualifying period (2011-2017). After making an application, water can be continued to be abstracted until a decision is made but if no application has been made before 31st December 2019, it will be against the law to abstract water, and the EA may take enforcement action.

To discuss or for help with applying for a licence, please contact Will Davies on 01536 213175 email will.davies@berrys.uk.com.

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