

Investment Priorities

For most arable farms the commodity price boom should create some useful surpluses after drawings and for the first time in years there will be opportunity to look at new investments in a structured way:

1. Review and understand the opportunity

- What are the projected surpluses likely to be over the next few years?
- What are the objectives of the individuals within the business? What are their future needs – retirement, school fees, business restructure?
- What is the attitude to gearing and debt repayment?
- What are the implications of doing nothing (cash reserves in a sole trader or partnership business are likely to be taxed at 40% on death)?

2. Develop a strategy

Clarity of personal objectives, including timescales, is vital in order to develop a strategy against which possible options can be screened. The strategy needs to consider questions such as:

- On or off farm?
- Related or unrelated to agriculture?
- 'Hands on' or 'hands off'?
- Level of management required?
- Short or long term?
- Income or capital?
- High or low risk?
- Income tax efficiency?
- Capital tax efficiency?

Examples

Some of the objectives arising from reviews that Samuel Rose undertake include:

- Investment in off farm capital assets that will **ease the problem of division between children on inheritance** – e.g. residential property, forestry, managed funds.
- Tax efficient ways to reinvest on farm, such as **using Self Invested Personal Pension funds to reduce personal tax**

bills yet undertake projects that the farm business can still benefit from – grain stores, commercial and holiday let conversions, etc.

- **Capital accumulation** through bare land purchase and agricultural buildings/dwelling development.
- New on farm enterprises to **diversify and develop the income stream** of the business – ranging from free-range chickens to Christmas tree plantations.
- **Restructuring of farming partnerships** to ensure unity of objectives for the medium to long term.
- Investment in developing agricultural economies in **Eastern Europe**.
- Collaboration with other producers to **add value to livestock production** through improved marketing or **reduce costs by machinery sharing**.

3. Screen Options

Depending on the project idea, screening may include budgets, a realistic assessment of the practical implications, risk assessment, review of management and labour time, tax advice and more.

4. Decide and Act!

All the careful planning and hours of research are for nothing if a confident decision to proceed or not to proceed is not taken, and a timetable for action put in place.

The discipline to make new projects happen is probably the biggest single challenge. External advice has value at all stages and an overall project management role – responsibility for making sure the various elements happen is vital. If there is insufficient management time in house, buy it in – it is often the most cost effective part of the whole investment.

To discuss how Samuel Rose can help you through this process, please call William Tongue on 01604 782719 quoting ref FBB04.

Food crisis... Bring it on!

Barely a day goes by without mention of wheat prices and impending food crisis in the press. The BBC even went so far as to publish an article examining the opportunity for householders to provide bread for their families by growing wheat in their back garden!

The agricultural industry has a history of responding well to challenges. Challenges obviously bring opportunity, which makes agriculture an exciting sector at present. Arable farming is at the front of this at the moment, but beef, lamb and milk prices have all moved a little way in the right direction. Interestingly there seems to be an increased feel of producer power in the marketplace, and hopefully we will start to see prices that reflect the true cost of production in all sectors.

We are witnessing a 'land grab' of significant scale, as investment funds join the amenity buyers in bidding up the price of land. Whilst buying more land to farm directly in this country is very situation specific, opportunities to reinvest profits in land and agriculture do exist in Eastern Europe and there are good returns to be made.

On the domestic front, beyond the necessary reinvestment in the productive assets of the farm – machinery, grain storage, ditching and drainage – opportunities exist to lay the foundations for the long term future of the business and the family and maximising tax planning.

Samuel Rose always offers no obligation initial consultations and welcomes the opportunity to meet new people or re-establish old acquaintances. Invite us round for a chat to see if there is anything we can offer your business.

William Tongue

HLS Points Targets Lowered

Natural England has selected priority areas for Higher Level Stewardship (HLS).

These priority areas only need to score against two of the targets for the relevant Joint Character Area (JCA) as opposed to over four for non priority areas. The targets vary from JCA to JCA but always include SSSIs, Scheduled Ancient Monuments, BAP species/habitats and access.

To find out if you are in one of the priority areas or to discuss whether your farm would be suitable for HLS please contact James Barker on 07958 768116 quoting ref FBB04.

RDPE – Regional Update

Our Rural Grants Update was sent in February. Since it was written, both SEEDA and EEDA have given more specific information on projects that are likely to attract support and their required criteria:

EEDA

Due to a small budget, EEDA is looking to support ventures that would not be commercial without grant aid. Examples of projects suitable for funding include: adding value to arable crops (processing, branding), developing new products/markets (wine processing), renewable energy (anaerobic digestion), water resource management (collaborative irrigation), local food (food hubs, London events), livestock (competitiveness, nutrient management, welfare) and Land-based vocational skills.

SEEDA

SEEDA's objectives are to help farming, horticulture and forestry businesses diversify and return to profitability (especially the livestock sector) and help rural businesses and communities to diversify, strengthen the rural economy and adapt to climate change.

As you can see, even in this brief update, each RDA has different priorities although there seems to be a general theme that the key to obtaining funding is a collaborative approach.

Please ring Guy Banham on 01604 782727 to find out more specific information from the RDAs and to discuss project eligibility. Please quote ref FBB04.

Agronomy Matters

The 13% increase in wheat acreage has presented us with a challenging Spring, as key agrochemical products are already in short supply. If you haven't already ordered your fungicides and PGRs the best advice is to do so now. Prices are also on the increase with glyphosate being an extreme example due to the high demand from the American GM market.

Early ordering of products requires careful consideration of programmes to use. By analysing the individual varieties on farm, their strengths and weaknesses can be reflected in the programme choice. Disease considerations also include whether the crop is second wheat, the requirement to control *Fusarium spp.* to reduce mycotoxin risks, and the crop growth stage when coming out of Winter. Other factors to consider may include the amount of packaging waste and the ease of handling which could lead you to more co-formulated products.

Oilseed Rape crops that have survived the high influx of pigeons this year are growing boldly now they have received some nitrogen. A PGR may be required to control the growth if the crop is at welly boot height now.

Don't be tempted to cut fertiliser rates due to the drastic costs involved. Crops still need investing in, especially as output values remain high.

For further information, please ring Rachel Mee at Three Shires Agronomy on 07817 456197.

Interested in Eastern Europe? Its worth a serious look.

Improved agricultural prospects are resulting in investors piling into agricultural land and commodities. Nowhere is the 'land grab' more obvious than in Eastern Europe and Poland in particular, where access to large farming acreages can be achieved through relatively low capital input and return on capital on a typical arable enterprise might be in the region of 15-20%.

Samuel Rose has teamed up with Polish consultancy KST Konsulting to offer a one stop shop to anyone who wishes to invest in Eastern European agriculture, either on an individual or syndicate basis. Via the collaboration, one team can offer everything necessary from initial appraisal through legal and financial aspects of purchase to contract farm management, accounting and management reporting.

For an initial conversation and to obtain a guide to Polish Agriculture (cost £25 + VAT), please speak to William Tongue on 01604 782719 quoting ref FBB04.

Samuel Rose Consultancy Services for practical solutions to difficult problems

Strategic Business Reviews <i>William Tongue</i>	Business development, asset management, strategic guidance.
Budgets and Appraisals <i>William Tongue, Guy Banham</i>	Profit and cashflow budgets, farm business appraisals, cashflow monitoring and control.
Contract Farming Agreements <i>William Tongue, Guy Banham</i>	Establishment and maintenance of contract agreements, contract accounts.
Single Payment Scheme Issues <i>Guy Banham</i>	SPS returns, disputes with Defra, entitlement transfers and problems, mapping, compliance.
Environmental Stewardship <i>James Barker</i>	Assessments, applications and management of conservation works.
Diversification and Grants <i>William Tongue</i>	Business planning, diversification funding, grant applications.
Barn Conversions and Commercial Lettings <i>Penny Duggleby</i>	Feasibility studies, planning problems, conversion management, securing tenants.
Landlord and Tenant <i>Lennox Thomson</i>	Rent reviews, succession, all tenancy matters, rights of way, easements, linear projects.
Planning and development opportunities <i>Nicola Beers</i>	Planning and development opportunities. Strategic development land collaboration, promotion and option agreement.



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