

TEN BUSINESS HOUSEKEEPING TIPS AT HARVEST TIME

Office work and field work have to be prioritised at harvest time and with the latter taking the majority of the time, what key business management matters shouldn't be ignored?

1. **RPA remapping** - like it or loathe it, maps have to be returned in 28 days. Early signs suggest there are lots of errors. If you intend to use an agent (e.g. us!) send the pack off to them straight away rather than on day 27!

2. **Animal movement records** - still the most common cause of cross compliance failures. You can be inspected at any time - don't let them slip.

3. **Single Payment Entitlements** that are leased with rented land are automatically returned to the landlord by the RPA at the end of the term even if the tenancy is intended by all involved to roll on. The RPA must be notified 6 weeks in advance to prevent this. Think about September / October FBTs. Action may be required.

4. **Fertiliser** deals for 2010. Merchants will be chasing with Nitrogen deals. If not already sorted, opening prices for Nitrogen and base fertilisers seem attractive.

5. **Crop sales for 2010 & 2011**. Price risk can be managed for the next two harvests. Hindsight is wonderful but Nov 09 wheat could have been sold in Aug 07 at about £130 ex farm compared to current values of about £105. If you need to manage risk to meet a high rent or other commitment then consider whether a proportion of margin should be locked in with some early forward sales, not just for 2010 but also for 2011.

6. **Review systems** - a statement of the obvious that made Einstein famous is: 'it is simply madness to keep doing the same thing and expect different results'. Keep simple data on work rates, fuel consumption, etc. for future review. Ask staff, particularly those new to the farm, for feedback on working systems and time / motion efficiency. Take time at the end of the day to review how things have gone and act on your reflections - try something different, if you want different results.

7. **Find an effective memo system** - valuable thoughts may occur in the seclusion of the tractor that are subsequently lost. Whether it be a notebook, the 'voice record' function of a mobile or a pocket dictaphone, find a way that suits you to collect those thoughts for future use.

8. **Negotiate contract rates** - with diesel prices some 30ppl lower than this time last year, are you getting the best deal?

9. **Double check insurance policies** - the odd mishap at harvest is inevitable. Make sure that insurance policies are up to date, machinery registers, etc. and that all drivers have the required qualifications especially if you employ foreign labour.

10. **Be 'Pelletwise' this autumn** - the voluntary approach to reduce traces of metaldehyde in drinking water will only be allowed to continue if positive results are achieved.

Show the environmental lobbies we are serious in helping to preserve the Single Payment

2010 is the UN International Year of Biodiversity, when the role of plant and animal species in buffering climate change will be high on the political agenda. Coincidentally the future of the common agricultural policy beyond 2012 will also be under debate. Agriculture needs to make maximum political capital from its environmental credentials as one of the justifications for future support.

The majority of large (i.e. FTSE 100) companies now have 'Corporate Social Responsibility' teams, providing spin and waffle galore on their organisation's impact. However, consumers are starting to see this for what it is and are increasingly looking for simple, sound and solid stuff. The agricultural industry has some great communicators at present who are working hard on the image of UK agriculture plc which, coupled with many environmentally proactive farming businesses is helping our CSR message enormously. However, we all need to do our bit, and do it well. This might include:

- Maximising uptake of ELS and HLS schemes;
- Dealing properly and efficiently with farm waste, taking full account of the little and less policed things like not storing scrap for more than 12 months;
- Ensuring the public see tidy, well-managed farmland and farmsteads;
- Maintaining rights of way properly;
- Seeking to reduce cross compliance failure rates;
- Doing some voluntary environmental initiatives, like planting an odd corner to a pollen and nectar mix or thinking about more than just pheasants in the choice of game cover;
- Where applicable, signing up to and therefore increasing the area covered by some specific environmental production protocols - e.g. conservation grade for oats;
- Attracting, not alienating, the urban majority with courteous driving, farm visits, educational involvement, etc.

There are plenty of different car stickers and wheel covers around with slogans demanding the support of British Agriculture. Like an army campaign we need to win hearts and minds and this will be through demonstration of results and 'reasons why' rather than just making an statement.

Remember, the CAP is about 40% of the EU budget and currently the majority goes to the 15 longer-standing member states. Post 2012 it is likely that there will be pressure on the overall level of budget, more will go to the 10 more recent member states and there may be a further 3 states. This leads some commentators to predict a post 2012 SPS level of about 35% of what we get now - a big change, hence the impetus to win over public and political support.

For further information or assistance, contact William Tongue on 01604 782719



STRAW: A valuable soil resource or useful cash income?

With base fertilisers trading some £150 /t (K) and £480 /t (P) lower than last year and diesel nearly half the price, the chop vs. bale debate is very different to last harvest.

At the time of writing Potash is 71p /kg (July), Phosphate is 44p /kg (July) and red diesel is 38p /lt. At these prices, the sale of straw at current trading levels of £35–45 /t is an attractive option.

Minimum tillage rape systems suit straw removal and there remain the same non-financial considerations; extra compaction, reduced organic matter and possibly reduced timeliness that can be problems when straw is sold, which could equate to a figure of say £5 /ac. For the purposes of this article the hassle factor cost has not been included as it is very hard to accurately quantify.

Revenue foregone	£/ac	Extra revenue	£/ac
		Sale of straw 1.3 t/ac @ £21.13 /t	27
Costs incurred	£/ac	Costs saved	£ /ac
Contract bale & stack 1.8bl/t @ £9.25/bl	22	Extra diesel cost from straw chopper 4.5 l/ac @ £0.38 / l	2
Extra potash (MoP) requirement (RB209) 50kgK/ha £425.00 /t	14	Deep cultivation pass to bury straw to drill rape (CAAV ave, ass. 60:40 cereal break	9
Extra phosphate (TSP) requirement (RB209)	2		
Sub total	38	Sub total	38
Balance in favour	-	Balance in favour	-
Total	38	Total	38

The table shows a break-even price for straw on a min-till system (i.e. including cost of extra cultivation pass) of £21.13 /t ex farm. The break-even price will vary depending on the system, using the figures above as a basis; the following prices show the comparison between one extreme and the other.

System	Break Even Price
Plough based	£27.67 /t ex farm baled
Min-till	£21.13 /t ex farm baled
Plough based	£14.32 /ac in swath
Min-till	£5.82 /ac in swath

Good news for livestock and arable farmers alike, but consider locking into fertiliser prices to guarantee the margin.

For further information or assistance, please contact Guy Banham on 01604 782727

IS IT THE RIGHT TIME TO INVEST IN...?

Noticed how many pubs are for sale out and about in villages in the area at the moment? Is it worth considering a pub as an investment? Perhaps via a pension fund?

Obviously the starting point is your own business situation, and this will always be different. The asset rich – cash poor businesses that typify the farming industry would usually not even consider investments but if a block of land came up for sale next door, every possible avenue of funding and servicing would be explored - all to tie up money in an asset that yields only about 1–2% on its capital value (less than the cost of borrowing and therefore putting strain on the rest of the business). Yes, land should attract capital growth and is currently inheritance tax free, but it also leads to emotional attachment that clouds business decisions and makes future division of assets amongst offspring more difficult.

Therefore, why not consider borrowing against land, making use of strong equity positions and low interest rates to buy something that at least yields enough to cover the cost of borrowing and perhaps a surplus, and preferably has some opportunity for upside or alternative exit strategy?

A rural pub may fit this bill. Like so many things, capital values are way down and trade is difficult. However, interest rates are low and the recession will not last forever. There are many negatives in the outlook for rural pubs but this does not mean that some cannot buck the trend. Even a pub of mediocre performance should be able to offer a rental yield of 10-15%, and some may have the 'get out of jail' opportunity of residential development. (Although it should be noted that planning policy will generally presume against conversion due to the loss of community facilities).

With careful investigation and some preset ground rules (e.g. the level of management involvement and the level of exposure to the core business), the village pub might be a good buy for a farming business. At the time of writing, at current fixed rates and assuming a 2% margin, the annual cost of interest and capital repayment per £1000 borrowed is £106.56 /yr. Therefore in crude terms a cashflow neutral investment is one that yields over 10.65%. Worth considering?

To discuss this opportunity further, please contact William Tongue on 01604 782719

Are you paying too much tax?

Whilst the 2009 harvest is unlikely to show the margins of 2007 and 2008, prospects for 2010 are better as a result of much lower fertiliser prices. Currently available forward prices would suggest that many farms will be back in the realms of reasonable taxable profits and 40% marginal tax rates for individuals or partnerships.

Forward planning is essential if you are to do anything about these higher tax bills. A good budget is the main element of this, followed up with regular monitoring and pre-financial year end profit projections.

Budgeting and accounting for management purposes is a core part of what we do at Samuel Rose. Consider investing in our help to understand your projected business performance and to consider ways to mitigate income tax.

For further information, please speak to William Tongue on 01604 782719

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