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LEADING ADVISERS IN THE AGRICULTURAL SECTOR

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are you well prepared for handing over?

Some 44% of farmers have no formal plans in place for handing over their business when they retire, according to new research from Barclays. The survey, in which nearly 400 dairy and cereal farmers were questioned about their succession planning, found that a quarter of those with no plans in place didn't have anyone to leave their farm to, while a similar proportion simply hadn't given the issue any thought. The results have raised concerns about the potential risk to the farming sector – worth an annual £85 billion to the UK economy – if farms are not better prepared to ensure a smooth transition from one generation to the next.

Martin Redfearn, head of agriculture at Barclays, warned that the matter should not be *"left to chance"*. *"Planning who will take on both the business responsibility and the assets of a farm can be a sensitive subject and not necessarily something people want to address,"* he said. *"However, without that vital plan, future years, if not decades, of hard work are being put at risk."*
Many farmers said they planned to hand their farm over to a family member – in most cases a son – but a quarter of those admitted that their successor was not sufficiently 'hands on' with the running of the farm. Among those farmers who did have a formal plan in place, more than a third said their successors didn't have any regular involvement with the business.

"Many farms have been in the same family for several generations," Mr Redfearn commented. *"To ensure the transition from one generation to the next is done smoothly, careful planning is essential rather than it being left to chance."*

Mr Redfearn said the process of mapping out what will happen to the farm in the future does not need to be *"arduous or expensive"*, but that farmers should act earlier to get a formal plan in place. *"We want farmers to feel confident about their own future and that of their farm,"* he added.

Meurig Raymond, deputy president of the National Farmers' Union (NFU), agreed. *"The importance of succession planning, and of having a live and formal plan in place, can't be underestimated. We would encourage all our members to think about how the next generation can be brought into the family business and develop with them a more formal plan for how succession and handover will work."*

UK200Group agriculture

euro crisis could delay CAP reform

The ongoing euro crisis could lead to a delay in Common Agricultural Policy (CAP) reform, a Scottish MEP has warned. With European finance ministers spending an increasing amount of time and resources dealing with the crisis, an agreement on CAP reform has yet to be reached, and therefore the new CAP budget cannot be agreed. According to George Lyon MEP, "the plan has been blown off course", potentially leading to a "no deal" situation, which could affect funding for farmers and rural communities.

Mr Lyon, a former tenant farmer, authored the European Parliament report on the Future of the Common Agricultural Policy post-2013. After attending the World Meat Congress in Paris, he said: *"The simple facts are that there will be no agreement on CAP without an agreement on the new budget for 2013-20. If the crisis continues through the summer and into the autumn the prospects of any progress on a budget deal before turn of year looks less and less likely."*

In addition to the euro crisis, Mr Lyon said that other factors, such as the forthcoming German elections, leave only a small window at the beginning of 2013 to reach an agreement. However, those involved in the process have suggested that there is little chance that the agreement will be in place in time for the new CAP scheme to be introduced in 2014. Although Single Farm Payments (SFP) will not be affected if an agreement is not reached, the Rural Development Programme, which aims to increase competitiveness in rural farming through funding initiatives, will be put on hold. *"As a result, much needed investment in farming businesses and rural areas would dry up,"* said Mr Lyon.

With particular reference to Scotland, Mr Lyon said that Less Favoured Area payments, which are funded through the Rural Development Programme, could be stopped.

For more information, go to: http://snipurl.com/241d9qf

renewables: more interest generated

30% of farmers in England and Wales will be involved in renewable energy projects by the end of this summer, according to new research. One in five farmers will be producing clean electricity and one in six will have installed solar PV, while a further one in eight will be involved in other forms of renewable energy production. The findings, from a survey of more than 400 farmers by the National Farmers Union (NFU) and NatWest, demonstrates that a large proportion of farmers recognise the tangible benefits renewable energy can provide.

Barriers to entry still remain, with 70% of farmers yet to become involved in renewable energy projects. The biggest barrier is planning permission, with more than 50% of those surveyed citing that as the main reason for their non-involvement.

Funding is another key issue, as 34% of farmers with no solar or wind projects said access to finance was a barrier. 39% of farmers are planning to invest in machinery and infrastructure during 2012. 42% of these farmers will obtain funding from their banks, but the majority will obtain funds from within their business or from their own or their families' money. Another barrier to entry is lack of access to the right information, with one in four farmers citing this as a problem.

However, the survey results suggest that farmers are on course to help the UK meet its EU renewable energy targets. Jonathan Scurlock, NFU chief renewable energy adviser, said: *"The NFU has been encouraging farmers and growers nationwide across all sectors to diversify into renewable energy for the past few years, but we are amazed at this level of uptake. The potential of land-based renewable energy to support profitable farming, while contributing to energy security and the low-carbon economy, is evidently much greater than we ever imagined."*

For more information on the survey, go to: http://snipurl.com/241cyis

in brief...

Rural Payments Agency sets itself tougher payment targets

The Rural Payments Agency (RPA) has pledged to have paid 91% of Single Payment Scheme (SPS) claimants by the end of 2012, following a record performance in 2011 when it met its December target two weeks early. In its 2012/13 business plan, the RPA also said it would aim for an average customer satisfaction rate of at least 80% across the year. Chief executive officer Mark Grimshaw said: *"Thanks to the hard work of our people and the support of our industry partners and Defra, I believe we have now turned a corner on our way to becoming a trusted, efficient and effective organisation."*

Read more at:
http://snipurl.com/241dglg

Green regime could be lightened under leaked CAP plans

Environmental requirements for farmers proposed under the forthcoming CAP reform could be reduced, particularly for those already engaged in ecological projects such as the environmental stewardship schemes, according to a leaked European Parliament report. The document also proposes that requirements for 7% of farmland to become "ecological focus areas" should not apply to farms smaller than 20 hectares. Martin Howarth, NFU director of policy, welcomed the recognition of farmers' environmental efforts, but said the NFU would continue to push for new amendments to "drive a productive, sustainable and efficient European agricultural industry".

Read more at:
http://snipurl.com/241dnr3

Defra raises bar for environmental stewardship funding

Farmers could find it harder to qualify for Entry Level Stewardship (ELS) funding from next year after Natural England announced changes to the scheme. Funding is awarded to farms that achieve 30 points per hectare based on a number of different options, but from January 2013 two of the hedgerow management options will attract a lower score. A number of new options have been added to the scheme, however, including wildflower planting in buffer strips and field corners, and supplementary winter feeding for farmland birds.

Read more at:
http://snipurl.com/241dhl3

Renewable heat scheme could be pulled with a week's notices

The Renewable Heat Initiative (RHI) could be suspended with just one week's notice to prevent it exceeding its 2012/13 budget and eating into the following year's funds, climate change minister Greg Barker has announced. Mr Barker said that a shorter notice period would mean the scheme could reach 97% of its £70 million budget before a suspension would be triggered, compared with just 80% if a month's notice was needed. Mr Barker also pledged to track RHI expenditure on the Department of Energy and Climate Change (DECC) website, and to publish an advanced warning if a suspension appeared likely.

Read more at:
http://snipurl.com/241dkcp

Farmers urged to take up increased woodland grants

Farmers are being encouraged to take advantage of increased funding available for planting trees and woodland in England. Payments of up to £4,800 per hectare are now available to farmers who establish new woodland through the Forestry Commission's England Woodland Grant Scheme (EWGS), and the Woodland Trust is offering guidance to landowners on how to make the most of the grants.

John Tucker, director of woodland creation at the Woodland Trust, said: *"We very much welcome the substantial increases in woodland creation grants in England and we hope anyone wanting to plant trees will get in touch with us to take advantage of the help we offer."*

Read more at:
http://snipurl.com/241dmav

Supermarkets must end squeeze on local food suppliers, says report

The Government should do more to encourage diversity in local food retail in the face of increasing competition from supermarkets, according to the conclusions of a five-year study on local food networks carried out by the Campaign to Protect Rural England (CPRE). The report also called on supermarket chains themselves to increase their efforts to stock local produce. The report estimates that local food sales in England could be worth around £2.7 billion each year and support around 103,000 jobs.

Read more at:
http://snipurl.com/241dj53

tenants warned on CAP reform clauses

Tenant farmers are being warned to seek advice on changes to their tenancy agreements related to Common Agricultural Policy (CAP) reform. Some landlords are introducing new clauses in order to cover the potential impact of the new CAP scheme, which is expected to be introduced after 2013.
The Tenant Farmers Association (TFA) is warning farmers to seek advice before agreeing to these new clauses, which are designed to protect the interests of landlords, and could prove to be detrimental to tenants. In particular, the new clauses could enable "land banking", and allow landlords to take Single Farm Payment (SFP) entitlements from tenants at the end of the agreements.

"We are beginning to see a wave of new clauses appearing in farm business tenancies, rent review memoranda and other documents which are attempting to cover whatever might be agreed in the next reform of the Common Agricultural Policy," said TFA adviser Katy Blagg. "The TFA is concerned that given the broad brush approach being taken, tenants may find that they are signing up to much more than they had anticipated".

The CAP is a European framework controlling farming, environmental and rural development. It is due to be reformed by 2013. However, the reform has been delayed, and the structure of the new scheme remains unknown, hence the desire of landlords to cover themselves against a broad range of eventualities.

Instead, new clauses and tenancy agreements should be checked with particular regard to what will happen at the end of the agreement, and what could potentially happen under the new CAP scheme. In some cases it may be unavoidable that SFP entitlements must be transferred to landlords, but the agreement should ensure that the transfer is completed at market value, and is subject to negotiation.

For more information, go to: http://snipurl.com/241cuh0

investing in major business changes

Almost a third of farmers in England are planning to invest in major changes to their business, according to a survey by Defra. The statistics on farmer intentions indicate that investment is being carried out despite – or perhaps as a result of – the economic downturn, with farms that are performing poorly more likely to invest in major changes. For the purposes of the survey, a major change means a proposal that will lead to a change of land use, output, economic efficiency or strategic direction, with an investment of around £30,000 or more.

According to the survey, 30% of farming businesses said they planned to carry out major changes within the next 12 months, with 43% planning to carry out changes within the next one to three years. The most common proposed changes were to existing agricultural enterprises, followed by added value or diversification activities, such as retailing of farm produce or energy production. 20% of farming businesses are planning to invest in new machinery.

Lower performing farms are more likely to carry out major changes compared to higher performing farms. Performance is based on a ratio between economic output and input, with the top 25% classed as higher performers and the bottom 25% as lower performers. 37% of lower performing farms planned changes, compared to 19% of higher performing farms. Larger farms are more likely to invest in major changes than smaller farms.

The main reason for investment in major changes is to increase profitability, with the age of the farmer also a factor. The majority of farming businesses were not planning any change to the intensity at which they farm over the next 12 months, or within the next one to three years. In terms of individual on-farm enterprises, 7% of farms planned to set up at least one new enterprise within the next 12 months.

To view the survey results, go to: http://snipurl.com/241dern

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