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LEADING ADVISERS IN THE AGRICULTURAL SECTOR

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NFU investigates lending to agriculture

The National Farmers' Union (NFU) has published a briefing that investigates the current bank lending environment in the agriculture industry and provides guidance for farmers applying for additional lending.

The briefing reveals that levels of lending to agriculture businesses are relatively high compared with those in other industries. For example, over the past five years, lending to businesses in general fell by 21%, but lending in the agriculture industry increased by 36%, reaching £13.7 billion in the year to March 2013, a 10.5% increase on the previous year.

The briefing also reports that farm businesses are currently paying lower levels of interest for overdraft borrowing than they were prior to the recession. This was attributed to the low Bank of England base rate, which has been gradually falling for several decades and has remained unchanged at a record low of 0.5% since March 2009.

Despite this, there has been a shift away from overdrafts towards more structured finance products, in particular, mid and long term loans. The main reasons cited for this change were farmers restructuring their debts to avoid paying annual renewal costs on overdrafts, and banks increasingly promoting structured loan products.

Advice for farmers considering additional borrowing from their bank included preparing a business plan or cash flow forecast for the next one to two years to ascertain their borrowing requirements; providing evidence of benchmarking, performance monitoring or scenario-planning activities to demonstrate financial understanding; and contracting a third party such as a land agent, consultant or accountant to support the business' projected financial performance.

The briefing also identifies some of the key issues bank managers are likely to consider following a request for increased lending, such as the annual turnover of the farm, its profitability, tax accounts, how the business would be affected by subsidy changes, and longer term considerations, such as the age of the farmer and whether there is any succession plan in place.

The briefing recommends that farmers build a relationship with their bank, regularly informing them of changes in their business' circumstances, and warning them of any financial problems as quickly as possible. In addition, it urges farmers not to try to pay off loans and overdrafts too quickly, such as by selling stock or grain too early, thereby putting pressure on working capital if income falls below projected levels.

Finally, it recommends farmers shop around for the best loan deals and consider other sources of finance for farm equipment, such as hire-purchase or machinery manufacturers' deals, as an alternative to bank funding.

Read more at: http://tinyurl.com/qhr3g25

UK200Group agriculture

other uses for farm buildings

Changes to permitted development rights, which allow the change of use of small farm buildings without formal approval, came into force on 30 May 2013. The changes mean agricultural buildings with a floor space of up to 500 square metres that were in sole agricultural use as of 3 July 2012, can be changed to an alternative use without the need to apply for change of use planning consent. Buildings constructed after this date must have been in agricultural use for a minimum of ten years before they will be eligible.

The new permitted development rights will enable farmers to convert redundant farm buildings into shops, restaurants, cafés, offices, light industrial units and hotels without planning permission, provided they are not listed buildings or connected with a scheduled ancient monument. Buildings in National Parks, Areas of Outstanding Natural Beauty and Green Belt areas are included in the new rules. Currently, the conversion of agricultural buildings to residential use is excluded, but a Government consultation on whether to allow this is due to take place in coming months.

The changes also mean that, in the case of farm buildings with a total floor space of less than 150 square metres, the farmer or landowner simply has to write to their local authority, providing details of the date when the change of use will happen, how the building will be used and a plan of the site showing the building or buildings in question. However, for buildings with a floor space of between 150 and 500 square metres, the landowner or farmer must seek prior approval from the local authority so that they can review various issues, for example those relating to noise pollution, and the potential impact on transport and highways.

Any building work that affects the external appearance of the building will still require planning permission as the new rules only allow for change of use and, although a 'hardstanding' (vehicle parking area) of up to 50 square metres can be constructed as part of the development, any further changes may require local authority planning permission.

Read more at:
http://tinyurl.com/oksygy6

surge in agricultural apprenticeships

The number of employers offering agricultural apprenticeships through the National Apprenticeship Service (NAS) reached a record high, as more farmers and apprentices take advantage of the scheme.

Commenting on the figures, 'Farmer's Weekly' said rising university tuition fees and an increasing need for employers and farmers to meet farm safety requirements were creating demand for vocational training and accredited qualifications in the agriculture sector.

Apprenticeships combine hands-on farming experience, on-the-job learning and practical college instruction. Both employers and apprentices receive financial incentives for participating in the scheme.

Apprentices receive a minimum wage of £2.65 per hour, allowing them to earn as they learn, while farmers who take on an apprentice are eligible for a small business support grant of £1,500.

Currently, the Government provides 100% of training funding for apprentices aged between 16 and 18, and 50% for apprentices aged between 19 and 24. However, changes due to come into force in August 2013, mean that apprentices aged 24 and over on advanced level or higher apprenticeships will no longer receive Government funding. Employers will be expected to contribute to the cost of training and the apprentice will have to pay the remaining balance. Apprentices will be able to access an Advanced Learning Loan (ALL) to help with funding. Repayments for the ALL will not start until April 2016 and apprentices are not required to repay any money until they are earning more than £21,000 a year.

Skills Minister Matthew Hancock said the rising number of apprenticeship vacancies meant that apprenticeships were becoming the norm for young people looking to achieve their career goals.

Read more at:
http://tinyurl.com/p7ekxr3

in brief...

Report identifies research priorities for the next two decades

A new report has outlined the key research and development areas that are vital for the UK agriculture industry to remain sustainable and competitive up to 2030. The report, 'Feeding the Future - Innovation Requirements for Primary Food Production in the UK to 2030', contains input from agriculture industry leaders and farmers and identifies eight research priorities including weed, pest and crop disease management, crop and livestock breeding, animal disease management and precision farming. The report's recommendations include an integrated approach to advice, training and skills, working together as an industry to attract funding and encouraging greater communication between scientists, advisers and farmers.

Read more at:
http://tinyurl.com/obltxlm

Rural property investors see strong growth

Rural property delivered significant growth in returns for investors in 2012, according to the IPD Rural Property Investment Index. Total returns reached almost 10%, more than 8% of which came from capital growth. The research found transaction activity helped to increase total annual returns, while demand from farmers looking to expand, along with individuals seeking to protect their wealth also contributed to growth. During the past five years, rural property has returned almost 9% per year, compared with residential property, which returned around 5% and commercial property, which returned less than 1%.

Read more at:
http://tinyurl.com/ofgagfx

Report encourages legislation for voluntary dairy code

The Government should introduce a statutory code of practice for dairy processors and retailers if the current voluntary code fails to deliver a fair deal for farmers, the Welsh Affairs Committee has urged in a new report. The report states that the whole dairy industry must commit to signing up to the voluntary code in order to deliver 'tangible benefits' to farmers, and calls on the Government to set out how and when it intends to measure the success or failure of the code. Hazel Wright of the Farmers' Union of Wales said: *"We have concerns that purchasers will cherry-pick elements of the code that they want and leave producers in a slightly worse position."*

Read more at:
http://tinyurl.com/nc748aw

Farmers targeted by 'dishonest' solar developers

Farmers and landowners should be aware of dishonest solar energy developers looking to lease land, consultancy Carter Jonas has warned. Andrew Watkin, head of the Carter Jonas energy team, said many European developers had been driven to the UK by falling government incentives for solar energy projects in their home countries, particularly in Germany and Italy. Common practices reported include lease agreements that tied up farmers' land for unnecessarily long periods of time and poorly-worded clauses allowing developers to automatically renew a lease. Mr Watkin advised farmers to seek independent professional advice prior to engaging in an agreement with a solar energy developer.

Read more at:
http://tinyurl.com/qhlffnb

Rural businesses pessimistic as sales and profits fall

Optimism among rural businesses fell by 40% between Q1 2012 and Q1 2013, according to a survey by the Country, Land & Business Association (CLA) and rural chartered surveyors, Smiths Gore. The survey found that agricultural businesses were suffering most, as sales had fallen over the past six months and sales, orders and profits were expected to continue to fall over the coming year. In addition, farmers anticipated employing fewer workers over the next 12 months. However, non-agricultural firms expected higher profits in 2013 despite poor sales performance and fewer enquiries during the past six months. Harry Cotterell of the CLA said the Government could do more to encourage growth among rural businesses, with initiatives such as the introduction of an affordable and effective broadband service for rural areas.

Read more at:
http://tinyurl.com/ojjcfat

Agricultural Wages Board abolition process progresses

The Enterprise and Regulatory Act to abolish the Agricultural Wages Board (AWB) has been granted Royal Assent, bringing it a step closer to being implemented. A Commencement Order is expected to be made on 25 June 2013, which will allow agricultural workers the opportunity to bring complaints about any underpayments or non-compliance with the Agricultural Wages Order (AWO) before 30 September, in line with the introduction of the National Minimum Wage to the agricultural sector on 1 October 2013.

Read more at:
http://tinyurl.com/nu3hw8f

agreement reached on CAP reform deal

Political agreement on the Common Agricultural Policy (CAP) reform deal has been reached after two years of negotiation.

The agreement proposes an end to sugar quotas on September 30th 2017, tightening rules to ensure only active farmers receive payments and increasing the Basic Payment for new-entrant farmers (aged under 40) by 25% for the first five years of installation. Farmers will be required to introduce three 'greening' measures to receive their full Single Farm Payment, which include crop diversification, maintaining grassland and maintaining an "ecological focus area".

However, a number of issues remain unresolved, which will be addressed during negotiations on the Multi-Annual Financial Framework for 2014-2020. Unresolved issues include rates of co-financing, capping limits for larger payments and the allocation of national envelopes for direct payments and rural development.

Farm leaders from England, Scotland and Wales gave mixed reactions to the CAP reform deal. NFU Cymru President Ed Bailey said that the deal provides a framework for Wales to allow for the introduction of a scheme that can continue to support Welsh farmers in producing food to world-leading standards. However, Country Land & Business Association (CLA) President Harry Cotterell said the reform could *"put English farmers at a competitive disadvantage to our Continental neighbours".*

NFU Scotland President Nigel Miller said: *"We want to identify the right combination of measures permitted under the new CAP that will ensure a fair distribution of funding but, crucially, maintains our ability and capacity to produce food. We also want to ensure new entrants are put on an equal footing to established businesses at the earliest opportunity and we want a simple scheme to be available for our small farmers and crofters."*

Read more about the CAP reform deal at:

http://tinyurl.com/pjaqljo

renewable energy investment barriers

Farmers and landowners lack the necessary information to allow them to make decisions about investing in renewable energy, according to a report by PR agency CCgroup. The report, which surveyed 130 British farmers, identifies the information farmers and landowners need in order to make investing in 'clean energy' simpler.

The report follows research published in January 2013 by Energy Now, which found that, while 95% of farmers and landowners consider renewable energy to be vital to the future of the UK farming sector, over 40% of them fail to invest in it because they are confused about their renewable energy options.

The CCgroup report, 'How to Talk so Farmers and Landowners Listen', revealed that farmers wanted more information about the financial benefits of renewable energy, demonstrated by statistics, income calculators and customer testimonials. The report also provides guidance for renewable energy companies to help them to improve their communications to rural businesses.

Charlotte Webster, Head of Clean Technology at CCgroup, said *"The countryside plays a crucial role in the UK's decentralised and clean energy future. But, as it stands, the information needed to answer fundamental questions for farmers and landowners is quite simply lacking."*

Iain Watt, Principal Sustainability Advisor at Forum for the Future, added: *"Forum for the Future shares CCgroup's belief that renewable energy offers a fantastic opportunity for farmers and landowners and its concern that this potential is not yet being fully realised."*

To read the report in full, go to: http://tinyurl.com/pc742xe

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