

## WORKING ON A PLAN? TEN STEPS AS A PROCESS

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The 2020s are expected to see much change in farming. Brexit may make the headlines and many may focus on the coming loss of Basic Payment but there is much else from technological development to changing markets and public tastes as well as climate change and environmental issues accelerating business change.

These are all large issues that will work themselves on each farm and so to be handled by individuals and families taking decisions about what they actually control – their time, business and land. The answers may vary widely. Avoiding a decision is still a decision but one more likely to have adverse outcomes.

Now is the time to take stock and advice, to review the situation and goals, come to decisions and implement them in an orderly, considered and effective way. Simply burying yourself in ever harder physical work or being preoccupied with the immediate is to allow change to manage you.

This may often be helped by ensuring an outside perspective, perhaps a trusted adviser or a facilitator who can both help see the larger picture and ease what might be difficult conversations, drawing all in the family into the outcome.

One way to frame this is ask where the individual or family where they could reasonably want to be in 10 years time. That sets a horizon beyond immediate issues, considering generational change, pressures and opportunities.

Much of what may often be in that consideration can be summarised in the points now set out.



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## Get the Basic Information Together

- Make a record listing out the land and assets (a “terrier”)
- What property or assets are useful or redundant (or likely to become so)? What might need expensive work or replacement?
- Who owns what? Often overlooked and sometimes complex this can be basic to any changes
- Setting out strengths, weaknesses, opportunities and threats (SWOT analysis)
- Yield mapping, soils surveys and other information about the farm’s potential and problems
- Look at benchmarking for the performance of the farm business, both physically and financially. There are a number of services for this, including AHDB.
- What are the present skills of the existing people? Are skills in management, marketing, or relevant to diversification available
- How might the family change in the decade? Aging, death, marriage, adulthood ...?
- What are the risks of death, debt and divorce?

## Assess How the Money Flows

- Create a cashflow for the next twelve months (it might anyway please the bank manager)
- Then test it to show the effects of changes in product prices and yields/volumes
- Set realistic targets for the next 12-24 months (profit, yield, cash...)
  - DEFRA says just a third of farmers do anything of this

## With the Information Now Gathered, Use It

- List out the issues thrown up by the review of the information gathered
- Extend the cashflow forward over 3 to 5 years
- Then adjust for the erosion if the Basic Payment – in the absence of better information take out 15 per cent for each year
- Again, test the adjusted cash flow to show the effects of changes in product prices and yields/volumes
- Does it result in enough income current lifestyle? Or any lifestyle?

## While That May Give a Clear and Possibly Disturbing Picture, Do Not Give Up

### - It is the Start

- Doing nothing is rarely the best option
- List out the possible options from efficiency gains and enterprise choice to diversification and disposal
- Review what are others doing. Always worth looking over the hedge for perspective.

## The Option of Hunkering Down?

- Trim costs to the bone
- Focus on overheads, often a larger problem for a farm than variable costs and so anyway a good idea
- Cut back on lifestyle expenses ... necessary if this to work
- Consider the implications for the next generation, if there is one
- This may be just delaying the inevitable

This might be an appropriate strategy in some cases, as for an elderly owner no succession who can progressively sell assets (when a bank might support it as a deliberate choice). It might also be apt for someone moving to focus on other income generation.

## Can You Work with Neighbours?

- Farms generally carry too much machinery to be used efficiently. Answers can range from simple machinery sharing arrangements to some form of machinery ring or mutual contracting with other farmers for different operations.
- Is the farm an optimum size? Might renting land between neighbours, even seasonally, help both? Is it still worth renting that outlying parcel?

## Are You Making the Best Use of Your Land?

- Field by field, what does data say? Is each parcel helping pay for your overheads and your breakfast?
- If the scale or area of the farm were reduced, can overheads be cut more sharply?
- Would you be better off putting land (even banks and corners) into an environmental agreement?
- Do you have land suiting a longer term agreement?

## Are You Making the Best Use of Other Assets?

- Are there diversification possibilities? (and if so, why only think about it now?)
- How long would it take to develop? What would it cost? Increase both these figures when testing feasibility.
- Could this involve family members who might have expected to live off the farm? Or others with better skills and/or capital
- Might any of the farm be feasible for building development over the next ten years?
- How might all this fit into the succession plan

## Do You Have the Appetite for the Next 10 Years and Such Changes?

- Changes on this scale will be fundamental
- They need hard work and difficult decisions
- They may need to borrow, commit or attract capital
- The farm may change its size with land either bought or sold
- Co-operative ventures reduce independence, whoever is doing the work, if they are to work effectively
- Is now or soon the right time to pass the farm on to the next generation if it has more energy, better IT skills and fewer pre-conceptions?

## Is it Time to “Think the Unthinkable”?

- Is it viable to contract out whole enterprises (whether combineable crops or breeding livestock)?
- Might you let some or all of the land out for a better rent than being earned from farming?

Those options can release working capital, avoid future reinvestment, allow you to stay in the house – and, if it matters, preserve appearances Or is now the time to sell up and get out, perhaps before the asset base erodes?

## The Opportunity of Now

- Brexit is a prompt for us to do many things we should do anyway
- Basic Payment is going in England and Wales, innovation and environmental changes are coming anyway
- How does each business position itself to manage this best for its objectives?

That is in each farmer's hands.

Start now to use the time given by the phasing out of Basic Payment and use the best advice to find your answer, managing change and not being managed by it.