



## DIVERSIFICATION ISN'T ALWAYS AN EASY FIX

Christine Thompson, Chair of IAgSA

### KNOWING TODAY'S FINANCES TO PLAN FOR TOMORROW

Diversification has provided many farm businesses with the opportunity to either replace the loss of other income or merely to increase the profitability. However, the idea that it provides an easy "fix" for all your problems is not always true and it is certainly not for the fainthearted! Outside expertise and guidance is often the key to a successful diversification project without putting the existing business at risk.

Some years ago, I was told that you needed 3 best friends when running a business: your Accountant, your Bank Manager and your Solicitor. Feeling comfortable enough to speak to them with confidence and honesty enables them to provide the best advice and, whilst that advice may not always be what you want to hear, it will prove invaluable when planning your next steps. If you do not feel comfortable, then that adviser probably isn't the right one for you nor the business. Always remember that giving false or inaccurate information at the offset will always lead to wrong guidance.



Christine Thompson

### PLANNING FOR THE FUTURE ENTAILS KNOWING WHERE YOU STAND IN THE PRESENT

#### So, what financial processes do you have in place at the present time?

The day to day administration of the business is imperative to ensure that legislative processes such as the submission of VAT, Payroll and Tax information are adhered to. However, systems also have to provide accurate management information for your own purposes.

If the above is carried out by either yourself or a member of your family then ask the following:

- ? Is the work done at a productive time of day rather than 8pm in the evening after a hard day's work outside?
- ? Normal farming businesses reclaim VAT that helps with cashflow but how much further does your bookkeeping go?
  - Do you carry out bank reconciliations to ensure that the figures are correct?
  - Are you aware of the 5 different VAT categories and their implications within the farming business?
- ? Do you fully understand the structure of your accounts and the terminology used by your accountant?

Do you know your accurate cost of production taking into consideration the beneficial elements between certain enterprises?

### ANSWERS

**YES:** Then you are in the ideal position to seek good advice about the future.

**NO:** You may need further assistance from a fully qualified administrator with the necessary agricultural knowledge (eg, an IAgSA member) to help gather this information before taking the next step. Alternatively, the IAgSA training programme or Minding Your Own Business workshops may prove beneficial - <https://iagsa.co.uk/training/#further-training-workshops>

## ACCOUNTANT:

Your accountant may already be undertaking much of the above work. They will be able to satisfy all the HMRC requirements but do ensure that they are also able to provide the management information such as gross margins on your existing enterprises in order to ascertain what areas could be improved or replaced.

## OTHER CONSIDERATIONS:

When undertaking diversification projects, you may encounter issues never experienced before such as:

**Planning - Licencing issues - PR and Marketing - Dealing with general public - Paying VAT**

Involving your accountant, bank manager and solicitor is imperative when planning for the future whether or not diversification is involved and never be afraid of asking for help or seeking further training opportunities. If a farmer were to write a CV it would include job roles such as: farmer, mechanic, veterinary assistant, animal and soil nutritionist, plumber, electrician, financial controller, Human Resources manager – Jack Of All Trades, Master Of None springs to mind!

**You get the specialists to fix your tractor so ask the specialists to help fix your financial affairs.**



Rural Business Professionals

[iagsa.co.uk](http://iagsa.co.uk)