



## Rural Focus

H1 - 2018

### Livestock Looking Forward 2018

*Giles A Drew BSc (Hons) MRICS FAAV FLAA*

A buoyant year for most categories of cattle & sheep, whether they be store or prime. The beef trade in particular has held firm all year and numbers forward have remained healthy. We have sold 15% more prime bulls in 2017 than the same period in 2016 and yet average prices are up by roughly 10ppk on the year.

Summer sales of breeding sheep have been and gone, with Simon reporting a firm trade especially on well-bred and properly presented sheep. A little time taken presenting stock well, adds value and doesn't cost a lot.



I have had several inquisitive customers ask "what does 2018 hold" or "will the Hogg's be good to sell". A lot depends on currency and this has certainly helped the beef trade throughout the year making beef easier to export and keeping cheap European and Irish beef at bay.

The same applies to the Hogg's. Although the supermarkets appetite for British lamb in the spring needs to alter. A few of the big supermarkets have pledged to supply British fresh lamb year-round including Co-op & Morrisons which should help the trade. However, lamb consumption in the UK has decreased and the need for other outlets abroad is key. AHDB do a valuable job in promoting British produce on an international scale. Large quantities of 2017 crop lambs were sold in the summer as trade encouraged producers to sell at lighter weights and earlier than perhaps they would usually market lambs. This should help coming into Hogg season but remember no year is the same, I would urge producers to sell sheep when they are fit and a margin can be made. Waiting until April for bumper prices is a risky job and too many big lambs on the market can result in a trade no better than January or February.

Store cattle have been good to sell in recent weeks with only the plainer and smaller cattle harder to shift, it may pay to keep these sorts until spring grazing when store cattle purchasers are keener for smaller harder types to turn out.

With Brexit still looming 2018 will be an interesting year and you may need to brace yourself and your business for turbulent times. Basic Payment is still guaranteed until 2020 which is a relief for many. However, farm gate prices will be much more exposed to fluctuation if the country leaves the EU, and has to compete on the world market with no trade deal in place. There is room for optimism however as China and other major players look to source more red meat as their consumption increases and domestic production cannot match this increase. It may be time to review your business and look at additional income streams that can be generated on the farm whether related to agriculture or not.

As always, we are here to assist you and your business whether it be advice on when to market your stock or rural professional matters. We are at the end of the phone and more than happy to visit and offer advice.

### BPS Key Updates for 2018

*Simon Manthorpe BSc (Hons) MRICS FAAV*

As we put the 2017 scheme year behind us with the RPA making a large number of payments through December its time to start thinking about 2018 applications. This year sees a number of changes coming through, mostly on the greening element of payments. The key changes are:

#### ⇒ Plant Protection Products

There is now a complete ban on the use of Plant Protection Products on EFA Fallow Land, EFA Nitrogen Fixing Crops and Cover or Catch Crops.

#### ⇒ EFA Hedges

The definition of Hedges has been updated and now includes trees in a line. It is also the first year that Hedges will be mapped on the LIPIS, the positioning and length of these hedges need to be carefully checked and alteration made if the RPA has incorrect information.

#### ⇒ EFA Buffer Strips

The definition of EFA Buffer Strips will now include field margins.

#### ⇒ EFA Nitrogen Fixing Crops

EFA Nitrogen Fixing Crops can now include mixtures of different Nitrogen Fixing Crops or a mixture of nitrogen fixing & other crops as long as over 50% of the mixture is nitrogen fixing.

#### ⇒ Greening Administrative Penalties

For 2017 payments onwards additional penalties will be applied to the Greening Element of payment for non compliance. No longer do you lose just the area of non compliance, this additional penalty will be added on top of this for any Crop Diversification or EFA equivalent area over 2ha or 3% of greening area.

#### ⇒ EFA Fallow

EFA Fallow can still be grazed or mown after the EFA Fallow period ends in England. Also, after 5 years, all fallow will convert to Permanent Grassland.

#### ⇒ Re-mapping

The RPA have updated maps throughout 2017, it appears approximately 90% of our clients have had some form of alteration made. It is **essential** maps are checked for this years BPS

**We offer a comprehensive BPS package and give informative professional advice on all aspects of the Basic Payment Scheme, contact us today if you require assistance with your 2018 application**

## Funding for Rural Development

Oliver Fargher

You can apply to your Local Action Group (LAG) for funding for projects that create jobs, help your business to grow, and benefit the rural economy, under the LEADER scheme. LEADER funding is delivered via LEADER LAGs and is available to local businesses, communities, farmers, foresters and land managers and has £138 million in funding available between 2015 and 2020. The LAG is made up of people from the local community and the local public and private sector, who decide on which projects receive funding in their area.

There are 6 LEADER priorities, with the requirement that an application must meet at least one of them. Those are to: support micro and small businesses and farm diversification; boost rural tourism; increase farm productivity; increase forestry productivity; provide rural services and to; provide cultural and heritage activities.

The main priority applicable to our clients is to 'increase farm productivity'. To date, we have helped our clients to secure mobile sheep handling equipment and cattle handling equipment, funded by the LEADER scheme.

Speak to one of us about how you could apply for this funding, and how to submit an application to your LAG, providing you are in the 'North Yorkshire Moors, Coast & Hills' or 'Yorkshire Dales' LAG areas, as the Tees Valley LAG area closed at the beginning of the 2017.

## Four New Countryside Stewardship Offers for Wildlife

2018 sees four new CS offers for wildlife available, to help farmers improve the wildlife on their farms, by providing year-round habitats and helping pollinators to thrive. The new offers are designed to help farmers choose the right options for their land and to make the application process quicker and easier.

The four options are:

- ⇒ Arable Offer
- ⇒ Lowland Grazing Offer
- ⇒ Mixed Farming Offer
- ⇒ Upland Offer

These Offers have been designed to deliver a sufficient level of environmental benefits so that scoring is not required. This means that, provided the applicant meets the minimum criteria, an agreement offer will be made.

The popular Hedgerows and Boundaries Grant will also receive additional funding from 2018. Grants up to £10,000 will be available for a range of boundary options.

We can help you prepare a well thought out, practical application to make sure your business benefits from the funding available.

If you would like more information on the scheme or would like to enquire about an application, get in touch with Giles or Simon regarding the 2018 application window.

## Inheritance and Succession Planning

Simon Manthorpe BSc (Hons) MRICS FAAV

As the saying goes "there are only two things certain in life; death and taxes", neither of which are very pleasant, but we have to deal with both of them during our lifetimes. However, the negative impacts of both can be minimised through prior planning. Effective succession planning allows for the farming operation to carry on as normal after the death or retirement of a family member working on the farm. Many farming businesses are held back by poor succession planning, as the structure of the farming business is not always clear, with family members not knowing where they stand, what responsibilities they have and what the objectives of the business are. Problems can also arise from too many family members trying to make a living from the farming business, with different generations having different ideas on how the farm should be run. The key is to look 5-10 years ahead in terms of planning for the business.



The first step in succession planning is to make a record of the current farming position. This involves making a record of the business assets and knowing their value; which is a service we can offer at Northallerton Auctions. From there, the ownership of those assets and how they came-to-be needs to be recorded, to allow for the responsibilities to be allocated effectively and appropriately. From there, the wants and needs of each interested party need to be identified; for example, an income for the current farming generation and a pension for the retiring farming generation. Regular meetings allow for these needs to be kept up-to-date and to monitor how the business is performing on a non-financial level and considering both business and individual's objectives. Asking certain questions can be difficult when it comes to family businesses, so a third party, such as ourselves, can be helpful when asking questions you try to avoid. Roles and responsibilities can be refined after the meetings, and the operational aspects of the farming business can be allocated to the person carrying out the farming operations, as they can see what needs to be done. During this re-structuring, wills should be drawn up and retirement plans, to adjust for any changes. From there, wills and retirement plans should be updated regularly to reflect your state of affairs. A good plan will set out a clear path to retirement, for transfer of responsibilities and for the next generation to develop the business.

Once the succession plan has been made, thoughts turn to restructuring options. Splitting the land ownership and occupation can be one option, with the land owner leasing the land to a tenant. Contract farming agreements or Farm Business Tenancies allow the owner of the land to earn an income, without carrying out any agricultural operations on the land. The business itself can be restructured, into Sole Traders, where there is one owner/operator; Partnerships between family members or different groups with an interest in the agricultural operation; or Limited Companies and Partnerships, where the liability is limited to that of the business assets rather than personal assets.

There are a number of tax implications and considerations with succession, including Inheritance Tax. If a 'gift' is made, the donor has to survive 7 years after the date the 'gift' was made to become exempt. Agricultural Property relief may also be affected, if the occupant of the property isn't actively involved in farming, meaning the farmhouse may be subject to Inheritance Tax. There is also the potential to lose succession rights of an AHA tenancy if careful changes are not made. Therefore proper documentation of asset transfers should be made, notifying the bank and in some cases the RPA.

Ask us how we can help with your succession planning, from facilitating business meetings to consulting on tax implications and asset transfers.

## New Year, New Opportunities

As we're now in 2018 it is time to take a fully holistic view of your farming business. As Brexit negotiations continue and the uncertainty of not only trade deals but also direct agricultural payments loom ahead, is it time to assess if your business is future-proofed.

Is there anything we at Northallerton Auctions could do for you, we offer a whole host of professional services including but not limited to:

- ⇒ Tax, Inheritance & Succession Planning
- ⇒ Farm Business Appraisals
- ⇒ Planning & GPDO advice
- ⇒ Red Book Valuations
- ⇒ Farm Business Tenancies
- ⇒ Grazing Licenses
- ⇒ Grant Applications
- ⇒ Basic Payment Scheme advice & submissions