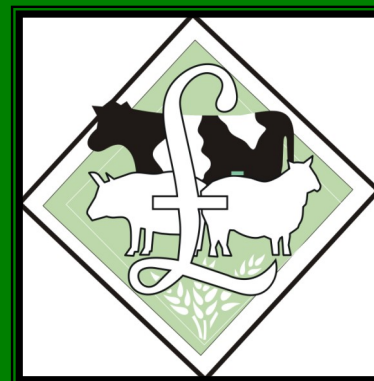


July 2011

The FARM CONSULTANCY Group

FCG Business Briefing

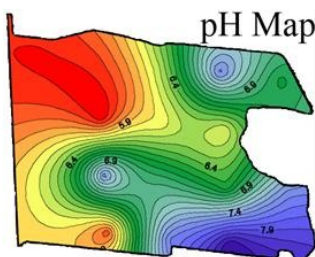
Issue 21



Welcome to our seventh issue of 2011. Our article contributors have once again provided challenging, timely and informative management tips over the next four pages. Please contact them direct with the email address at the end of each article. There are a number of references to study tour trips as it is the time of year when businesses have some time to travel, share experiences and learn from each other. Also check out our updated website at www.fcgagric.com. There are further news articles and tips here, updated regularly.

For feedback or comments contact Gerard Finnan at gerardfinnan@fcgagric.com.

Combating Rising Fertiliser Prices - James More (Louth)



pH Map

Next year's Nitrogen fertiliser prices have already increased by over 50% on this year's prices and are currently continuing to rise. Urea (46%N) is now around £400t and UK Ammonium Nitrate (34.5%N) £330t. At the same time as input cost inflation, we are seeing downward pressure on 2012/13 commodity prices. Recent rains in grain producing countries and the incentive of higher prices to increase plantings are causing output prices to fall.

All this means pressure on 2012 crop margins. Better targeting of fertiliser inputs is required to maximize the investment and improve margins. Variable rate Nitrogen application is now possible and the technology reliable. The available systems are based on measuring the Green Area Index (GAI) of the crop and adjusting the Nitrogen rates accordingly.

High tech systems allow the GAI to be measured on the move using detectors mounted on the tractor and adjusting fertiliser rates on the move. Also, satellite images of the fields can be used to measure the GAI and the spreader programmed to apply a variable rate across the field. All this technology is made more cost effective as input prices rise and crop margins tighten. For more information contact James More at jamesmore@fcgagric.com.

Where Is My Net Worth? - Max Sealy (Chippenham)

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On our recent FCG summer tour we met a very successful tenant farmer who had tripled his net worth in three years by expanding cow numbers and taking on a second unit. This business was being exceedingly well run and producing a good cash flow going forward. All businesses need to examine their balance sheets, not just to look at the bottom line net worth figure and their liquidity (ratio of gearing to assets) but also to look at the quality of their assets. If your assets are mainly in livestock they are vulnerable to market prices, fashions in breeding, cross breeding etc and of course disease issues, such as TB. If you are forced to sell the cows what could you really get for them?



For many businesses it is a good idea to try to diversify net worth into other assets such as land and property and to look for opportunities to do so. These assets tend to grow in value and give greater leverage for further borrowing and investment, whilst also reducing risk. In addition, where family members will have to be paid out in the future they give solid assets that can be either used to pay out these members or used as capital assets for retirement or given directly to non farming siblings in lieu of a share of the farming business.

Contact Max Sealy at maxsealy@fcgagric.com or contact your local FCG office.

The Farm Consultancy Group

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Pre-Mowing – James Shenton (Sherborne)

As we move through the growing season and pasture becomes slightly stemmier, the natural reaction is to pull the topper out of the nettles and set at improving the look of your pasture if not necessarily its performance. Generally most toppers do not cut low enough to improve pasture quality. However, a mower has a much better effect. It cuts at the base of the plant below any seed heads that are yet to emerge and improves pasture quality markedly.

However with higher yielding herds and herds that do not graze so aggressively, mowing 24 hours before cow graze has several advantages. It allows choosy cows to consume forage quickly and completely, forage that they would not normally consume is eaten because of the wilting effect.



Re-growths are much better and butterfats are maintained as cows are consuming stem as well as leaf as no swath remains to limit re-growth. A word of caution if your swards are quite overgrown, consider pre-mowing part of the field each day to ensure cows are not overloaded with mown grass and it is then wasted.

Contact James Shenton at jamesshenton@fcgagric.com for more information.

Weather Conditions Lead to Increase in Ticks – Tom Tolputt (Looe)



The recent warm dry spring has led to a large increase in the number of ticks and a subsequent increase in the incidence of tick fever and red water. Infections by ticks have been reported on farms which have never had issues before and in some cases cattle have been lost.

Ticks can be found in most vegetative undergrowth but are most common in bush and scrub land, especially wet ground. Permanent and rough grazing are more likely to harbour these pests than temporary pasture. Symptoms include a rapid rise in temperature and fever (106 degrees F), a loss of appetite, a reduction in cudding, a loss of hind quarter co-ordination and muscle shivers and a disassociation with the rest of the herd. Both of these diseases are potentially fatal to the infected cattle and treatment can be expensive. The infection can be largely avoided by using fly prevention treatment e.g. Spot on, Swish, Dysect, etc though organic farmers may need to get a derogation.

For more information contact Tom Tolputt at tomtolputt@fcgagric.com.

FCG Study Tours - Gerard Finnan (Sherborne)

Having attended two study tour trips recently, I surveyed my FCG colleagues and ascertained the following facts. In the last 12 months FCG consultants have organised and led study tour trips as follows:

- 191 businesses attended 16 trips, visiting 55 businesses in UK, Ireland and France.
- Visits included, block calving herds, new start up dairy units, large scale arable production, businesses where considerable positive change has been achieved, businesses willing to discuss bottom line profit, an abattoir, grain export facility, agricultural colleges and research farms / stations.

We in FCG, as a group of consultants, practice what we preach. We organise an annual two day consultant study tour trip, which this year was held in Stafford / Cheshire and attended by 18 FCG consultants. We are no different to farmers or diversified rural businesses where we learn from each other and from businesses visited. References to some of these trips are made in other articles in this newsletter.

Contact Gerard Finnan at gerardfinnan@fcgagric.com or contact your local FCG office.



Environmental Schemes – New Payment Timings - James More (Louth)

All participants in Environmental Schemes have had a letter from Natural England (NE) explaining the changes to payment timings for these schemes. This has left many people confused! NE have posted a Microsoft Excel spreadsheet on their website to help farmers calculate when their payments fall due. The new payment scheme comes in on the 1st July 2011 and effects all agreements that started on or after 1st February 2007.



Two payments will still be received each year, but the partial or mid year payments will all be made each October - December and the annual or end year payment in the following January – April period. This will have an effect on many cash flows. To access the payment date calculator go to:

www.naturalengland.org.uk/ourwork/farming/funding/euaudit.aspx

For more information contact James More at jamesmore@fcgagric.com.

Don't Miss Out On The Renewable Heat Incentive (RHI) – Ed Gosling (Andover)



Many farm businesses need to generate heat for hot water, for heating offices and workshops. Why not use renewable energy to provide this heat? The common answer is, that, the potential cost savings on renewable heat generation are outweighed by the required investment costs. However, this is no longer the case!

On 1st July, the Government introduced a subsidy known as the RHI, a payment of up to 8.5 pence for every kWh of heat generated from renewable sources. Like [Feed-In Tariffs](#), the RHI is paid for 20 years from the registration date and index-linked to inflation. The incentive is targeted to give a return on investment of 12% on eligible systems. The RHI is being run in two phases. Phase 1 started on 1st July 2011 and includes only non residential installations. Eligible items for Phase 1 must have been installed **after** 15th July 2009 and include biomass boilers, geothermal, ground and water source heat pumps and solar thermal systems.

Phase 2 will commence in the autumn of 2012, from which time residential systems will be eligible. It is likely that additional technologies, such as air source heat pumps, will also become eligible in Phase 2. If your farm business is in the south west, you can get free advice on renewable heat opportunities through the South West Regional Development Agency's R4F scheme.

Contact your local FCG office for more information or Ed Gosling at edgosling@fcgagric.com.

Who's Your Critical Friend? - William Waterfield (Andover)

Farming is often a lonely business, in the majority of cases farmers operate purely within the family context, with few business contacts outside the immediate family. This compares with lots of other small businesses, where partnerships and limited companies are formed by like minded individuals, with similar goals and objectives. For farming businesses, it is often difficult for the owner and operator to stand back from the day to day working and take a critical view of their business. For those that can, it can highlight the strengths and weaknesses of the business and helps them adapt and change to whatever circumstances and economic conditions that they work in.



It is often difficult for members of a family to bring constructive criticism to the business. This is where the critical friend, somebody who can stand back from the business and cast an overview of the whole business performance, is invaluable. This is a role that Farm Consultancy Group consultants are often required to do, being able to bring critical analysis and new ideas to the business along with relevant information to help the businesses move forward. Contact your local FCG office today to find your critical friend or contact William Waterfield at w.waterfield@fcgagric.com.



Seeing Is Believing! – Cled Richards (Carmarthen)



Discussion groups visiting other farms from outside their own discussion group on study tours is an excellent thought provoking exercise. It enables farmers to pick up practical ideas, question other farmers and gives the farmer an opportunity to not solely be thinking of the day to day management of their own business. In 2010 we were involved with four study tours involving 50 farmers, we will again be involved with another four study tours this year. If time away from the farm is an issue it is still well worth organising visits to other

local farms just for a day to see certain aspects of a business being done particularly well. Following one study tour an 'under stocked' dairy business has increased its stocking rate and has doubled the production of milk solids/ha at no extra feed cost. This only happened following a group study tour where we visited a business with comparable resources, successfully carrying a significantly higher stocking rate to that of their own business - physical evidence is convincing! **For more information contact Cled Richards at cledrichards@fcgagric.com.**

Limited Companies Could Become Attractive Again – Phil Cooper (Gloucester)

Corporation tax is being reduced back to 20% by 31st March 2012 for small companies. This is significantly lower than the highest rate of income tax currently being charged at 50%. In recent years many businesses have been able to avoid the higher rate of income tax due to the substantial capital allowances being offered on plant and machinery, i.e. 100% up to £100,000. These allowances come to an end at the end of this tax year and drop to 100% up to £25,000 of investment in the next tax year. This change will mean that a number of businesses move back into the higher rate of income tax unless they do some tax planning. One option is to set up a limited company and redirect all the profits into the limited company that only pays tax at 20%.

Within The Farm Consultancy Group we have helped a number of farm businesses who do this successfully by working with their accountants to make the changes. We have some highly profitable businesses, who were paying the higher rate of tax and now pay a smaller amount of corporation tax, without having to alter their standard of living. With matters of taxation, always consult your accountant in the first instance.

Contact Phil Cooper at philcooper@fcgagric.com for further advice.



Limited Companies

Web Links to other articles include....

Yet another Reason to Record Grass Growth - Ed Gosling (Andover)

Over the last two years, grass growth rates have been very erratic...

Read more at <http://www.fcgagric.com/news/20110708-yetanotherreasontorecordgrassgrowth.htm>

Planning Permission - Charles Holt (Lincoln)

Do you have any assets (land or buildings) that are under-used on your farm?

Read more at <http://www.fcgagric.com/news/20110708-planningpermission.htm>

Study Tour Feedback – James Shenton (Sherborne)

Having been on two recent study tours I was in conversation with a client whose comment was 'I could never do that'.... Read more at <http://www.fcgagric.com/news/20110708-studytourfeedback.htm>

The Farm Consultancy Group

Distributed throughout England & Wales, FCG exists to help rural businesses prosper. Each of our ten offices can offer a variety of Farm Consultancy services, some general and some very specific. Whichever office you approach, you will find an enthusiastic and professional response to your enquiry. To visit our website please click on the link below.

www.fcgagric.com

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