



2014

MHA Agricultural Insight



MHA Agriculture Report

Winter 2014

Introduction

As a sector agriculture goes beyond the traditional parameters of business to be a way of life. The threats and challenges which face enterprises in other sectors such as succession planning and cash flow amongst others remain a concern. However, there are also other external, uncontrollable factors such as the weather which can have a significant impact on the profitability of an agricultural business.

At the recent LAMMA 2014 event MHA undertook a survey into the current issues facing the agricultural sector. This report is based on over 100 responses from farmers about their concerns for the coming year.

MHA members have a long history of acting for agricultural businesses of all sizes. Our specialist teams take the time to understand the difficulties facing the agricultural sector and are able to apply this understanding to the unique case of each client.

In addition to a comprehensive range of core services which we are able to provide for our clients including accounts preparation, payroll and taxation, we are able to offer specialist advice in:

- Property transactions
- Succession planning
- Inheritance tax and trusts
- Landed estates
- Diversification and VAT
- Financial planning, pensions and investment advice
- Assistance with grants
- Corporate finance and restructuring
- Strategic planning - business structures and competitiveness

We would be delighted to assist you further. Please contact your local member firm if you would like to discuss any of the issues raised in this report.

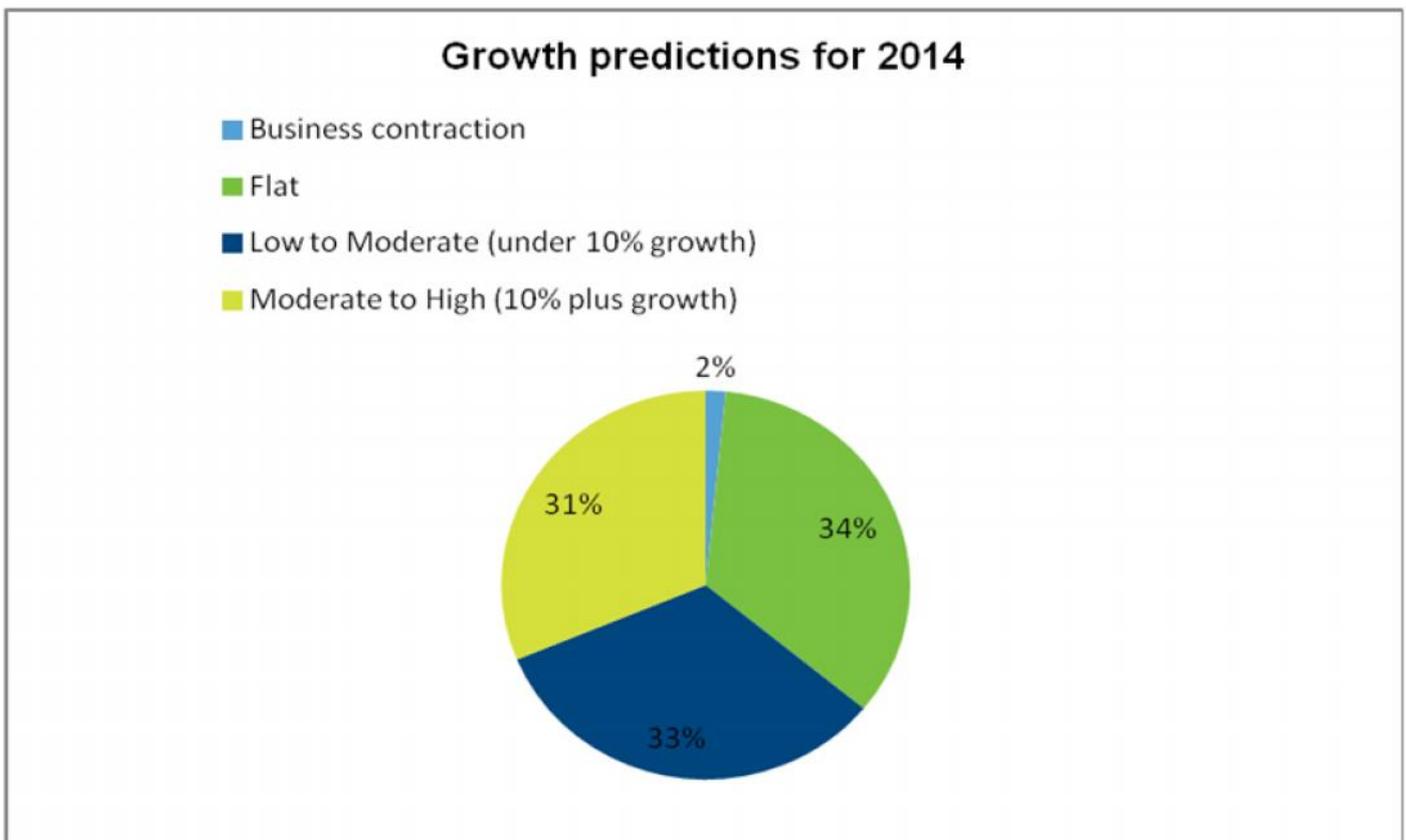
[David Missen, Head of agriculture, MHA](#)



MHA Agriculture Report

Winter 2014

Optimism in the sector and scope for growth and diversification



Encouragingly many of those we spoke to were optimistic for the coming year with 64% predicting growth of some sort and 31% predicting moderate to high growth. Only 2% of respondents expected contraction in their business in the next 12 months.



MHA Agriculture Report

Winter 2014



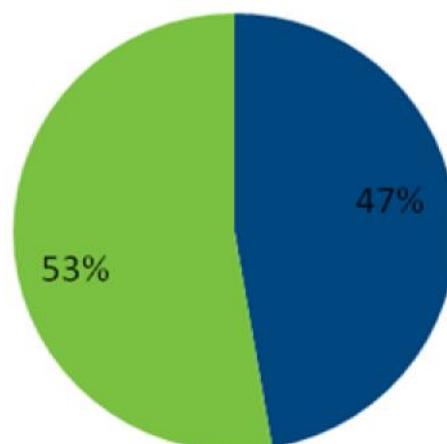
The optimistic predictions for growth given by many of the respondents were further supported by plans for expansion over the next 12 months, with 53% intending to increase their acreage. However, further discussion suggested that while there is a desire to expand in many cases the availability of land and the price of the land which is available is a limiting factor.

With average land now approaching £8000 per acre and prime land fetching much more, it is increasingly difficult to justify the purchase of farmland unless one factors in an element of capital growth - although anecdotal evidence suggests little drop in demand

In addition to plans for expansion, diversification is a consideration for many of the respondents. Many indicated that they are looking into renewable energy sources such as wind turbines, solar panels and biogas.

Are you planning on expanding your acreage in the next 12 months?

■ No ■ Yes





MHA Agriculture Report

Winter 2014

Succession planning

Farming is traditionally a family business passed on from generation to generation so succession planning is a key consideration. Failing to plan can mean the difference between the family business thriving into the next generation or it having to be sold to meet Inheritance Tax bills or because of family disputes.

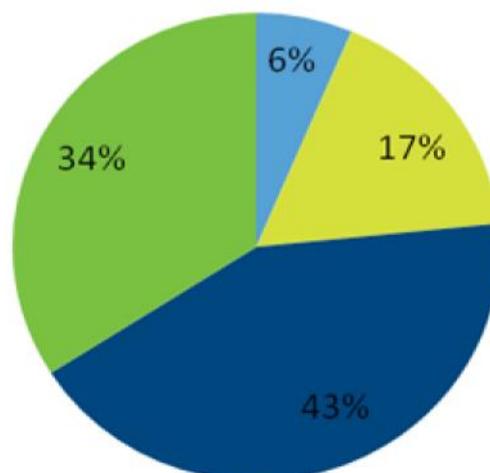
Many of those we spoke to (60%) had a clear succession plan in place with a son or daughter to take over the family business but nevertheless 40% of those who responded felt that succession planning was 'of great concern' or 'of some concern'.

These are some key pointers for those uncertain about their succession plans:

- Start planning as early as possible.
- Who will the family farm be left to? It is important to have open discussions with the family.
- Ensure the business and succession plan is structured tax efficiently.
- Your Will should reflect your wishes. Do not assume that you need to take no further action.
- Consider a power of attorney to enable the business to continue in the event of illness or incapacity.
- Review your plan regularly.

How much of a concern is succession planning?

■ Of great concern ■ Of little concern ■ Of no concern ■ Of some concern





MHA Agriculture Report

Winter 2014

Farming arrangements

For many farming businesses the squeeze on margins has necessitated innovation and co-operation. Many have become involved in machinery sharing, joint purchasing and contracting. Contracting was the most popular option with 60% of those who are involved in one of the above taking advantage of this while a significant number are also looking at the options available through group purchasing and machinery sharing.

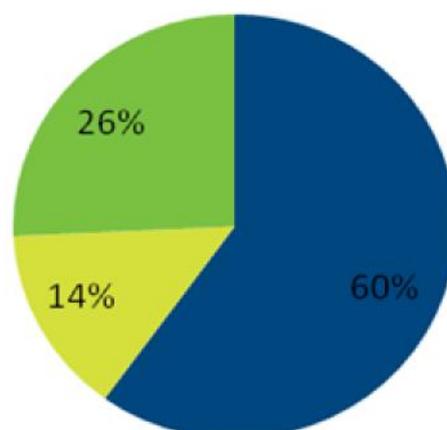
These arrangements can work well to minimise the expenditure required but it is

important to consider the tax implications of such arrangements.

For those investing in machinery the decision is influenced by a number of factors but the most important indicated by our respondents was improved efficiency. Tax planning, planned replacement and expansion were also indicated as important factors for many. It is essential to consider the implications of investing in machinery as this can represent a significant cost to the business.

Are you involved in any co-operative farming arrangements

■ Contracting ■ Group Purchasing ■ Machinery sharing



*multiple responses included

MHA Agriculture Report

Winter 2014



Advice and support for the sector



*multiple responses included

For the majority of respondents their accountant was the first port of call when seeking advice. This is encouraging as the financial implications of acquisitions or investments can be considered in advance.





MHA Agriculture Report

Winter 2014



Conclusion

The challenges faced by the agricultural sector are unique and ever changing with external forces exerting a huge influence on predictions for growth.

Specialist advice and support can prove essential in ensuring your business is as profitable as possible and strongly positioned to take advantage of opportunities for expansion when they arise.

To discuss any of the issues raised in this report with one of our agricultural specialists in your local area or for any other queries you may have please contact us

About MHA:

MHA is a UK wide association of progressive and respected accountancy and business advisory firms. Accountancy firms are invited to join MHA only when they meet the standards and culture of the organisation, which includes a commitment to helping our clients to succeed by supporting them above and beyond what might normally be expected from an adviser.

Each MHA firm offers a broad range of services including accountancy, tax and corporate finance as well as sector specialisms. They work collaboratively under

the MHA banner when clients have multiple locations or specific national needs. MHA firms are characterised by their strong regional reputation for providing outstanding accountancy and business advice to entrepreneurial businesses.

With 45 nationwide offices MHA is able to balance national access and capability with the local insight and perspective that individual member firms offer their clients. As well as our national presence MHA is a member of Morison International, giving access to a global network of trusted advisers.

MHA Member Firm Offices



Bloomer Heaven

www.bloomerheaven.co.uk

Birmingham (**Head office**)
Rutland House,
148 Edmund Street,
Birmingham
B3 2FD
Tel: 0121 236 0465

Broomfield & Alexander

www.broomfield.co.uk

Cardiff (**Head office**)
Ty Derw
Lime Tree Court
Cardiff Gate Business Park
Cardiff, CF23 8AB
Tel: 02920 549939
Additional offices: Swansea, Newport

Carpenter Box

www.carpenterbox.com

Worthing (**Head office**)
Amelia House
Crescent Road
Worthing, BN11 1QR
Tel: 01903 234 094

Henderson Loggie

www.hendersonloggje.co.uk

Dundee (**Head office**)
Royal Exchange
Panmure Street
Dundee
DD1 1DZ
Tel: 01382 201234
Additional offices: Aberdeen, Edinburgh, Glasgow

Larking Gowen

www.larking-gowen.co.uk

Norwich
King Street House
15 Upper King Street
Norwich
NR3 1RB
Tel: 01603 624181
norwich@larking-gowen.co.uk
Additional offices: Bungay, Cromer, Holt, Ipswich, Dereham,
Colchester, Diss, Fakenham

MHA MacIntyre Hudson

www.macintyreHUDSON.co.uk

London City
New Bridge Street House
30-34 New Bridge Street
London EC4V 6BJ
Tel: 020 7429 4100
londoninfo@mhllp.co.uk
Additional Offices: Bedford, Canterbury, Chelmsford, High Wycombe,
Reading, Rochester, Leicester, North London, Maidstone, Milton
Keynes, Northampton, Peterborough

Moore and Smalley

www.mooreandsmalley.co.uk

Preston (**Head Office**)
Richard House,
9 Winckley Square,
Preston,
Lancashire, PR1 3HP
Tel: 01772 821021
Additional offices: Blackpool, East Midlands, Kendal, Kirby
Lonsdale, Lancaster

Monahans

www.monahans.co.uk

Swindon (**Head office**)
38-42 Newport Street
Swindon
Wilts
SN1 3DR
Tel: 01793 818300
Additional offices: Bath, Chippenham, Glastonbury, Trowbridge

Tait Walker

www.taitwalker.co.uk

Newcastle (**Head office**)
Bulman House . Regent Centre
Gosforth . Newcastle Upon
Tyne . NE3 3LS
Tel: 0191 285 0321
Additional offices: Northumberland, Tees Valley





Thank you

2014 MHA Agricultural Insight