

Farms and Rural Business Review of the Year 2023



Committed to you.

Introduction

by Steven Rudd, Head of Farms and Rural Business

Resilience is still key for farmers

Reflecting on previous topics I've spoken about, the word resilience features a great deal. The same is true as we look back on 2023 and ahead to 2024; resilience is critical to all of our businesses.

The 2023 harvest saw the perfect storm. Inputs paid for in 2022 saw fertilisers at record prices. Inflation has put pressure on costs of chemicals, labour and machinery. Crop prices have been dropping and, although a small respite for those with livestock, of course, feed costs haven't added to profits. Milk prices peaked in the spring and have dropped significantly below where they were last autumn.

The weather is still playing havoc. A cold and dull spring impacted crop yields for 2023 and, just when we're ready to go again for the next harvest, we've seen record levels of rainfall – 180 to 190mm of rain reported by some clients in Norfolk in October alone, affecting harvesting of beet and maize, crop drilling and establishment.

The squeeze on cash has no doubt brought sharply into focus the decision to invest in new machinery. Off the back of a few good years and with reductions in Basic Payment Scheme (BPS) income now only being felt, there's probably been cash available to keep the "kit" up to date. However, I expect the 2023/24 accounts won't show great profits. Adding back the still high depreciation charge from any reinvestment, with limited new investment due to concerns over cashflow, could have an unexpected adverse effect on taxable profits.

As highlighted in our article from farm data analytics specialist, YAGRO, there's all the more reason to have good up-to-date data – and most importantly, do something with it! Profit projections help with planning. Is there anything more you can do in the current period? Is there cash available to do it?

For sole traders and partnerships with a non-tax year end (31 March or 5 April), 2023/24 also brings changes for "basis period reform" and the risk of taxing more profits in one tax year. Overlap profits may be available (if you're a long-established business, do you remember the last transitional year in 1996/97? I do!). There are also spreading provisions and other interactions for tax losses and averaging. Who said tax was easy?

The capital tax regime has been largely unchanged. Maybe that's because we have an election looming. Despite rumours circulating before the 2023 Autumn Statement that he was about to scrap Inheritance Tax, the Chancellor avoided any controversy. A few tweaks to National Insurance, but nothing out of substance. Whichever party is the victor, the UK's food, farming and natural capital must be high up the agenda with a tax system to support that.

In this edition of our annual review, we look back on another successful Autumn Farming Conference. A record attendance, a waiting list for tickets and great press coverage hopefully means we're doing something right! With a well-thought-out programme and the support of the CLA, we aim to



present an informative and thought-provoking day and hope to see you again in 2024. YAGRO, a key partner at the conference, features an article on what effective data management is telling us about farming.

In line with the ever-changing world of digitalisation within the farming sector, specialists within the field share their expertise in their podcast. Find out how to listen in this edition.

We also feature an interview with T H Scott & Son, which shows how businesses need to be agile and adapt to grow and survive; and articles on Woodland Carbon, and how renewables can benefit your business.

I hope you enjoy reading this review and let's hope 2024 doesn't test our resilience too far!

Autumn Farming Conference addressed key issues in farming



Speakers at the 2023 Autumn Farming Conference were, left to right: Back row: Charlie MacNicol, John Patrick, Bruce Masson, Steven Rudd (Head of Larking Gowen's Farms and Landed Estates Division), Andrew Marriott, Matt Ryan. Front row: Chris Robinson, Sarah Kerkham, Emily Norton, Cath Crowther, Henry Welham.

The 2023 Larking Gowen Autumn Farming Conference attracted delegates from all sectors of the farming, food and supply industries to Wherstead Park, Ipswich on 10 October, when the temperature reached an unseasonal 25°C. Organised by Larking Gowen, in conjunction with the Country Land and Business Association (CLA), it addressed subjects affecting

agriculture in the East of England and generated a very positive response.

Headline partners for the event were Oxbury Bank, the only UK bank dedicated to British agriculture, and CLA Energy Services, supported by YAGRO, Integrity Asset Finance Ltd, and Impact Services. A novel feature was a 'live poll' to assess delegates' views on the future of farming.

Notably, only 40% were 'optimistic' compared with 50% at the 2022 event, while 44% chose the 'it's complicated' option (2022 – 40%), and 8% were 'not confident' (2022 – 10%).

Two farming charities received help from the event, the £1,334 raised being split between YANA (You Are Not Alone) and The Farm Safety Foundation ('Yellow Wellies').

"The pressures on agriculture are acute and a lack of clarity from government is creating uncertainty. Farmers are having to deal with extremely volatile input and output prices, making it difficult to plan or budget accurately. The unprecedented scale and speed of interest rate increases following 15 years of low, stable borrowing costs, together with Defra's announcements on environmental schemes and how they will affect the taxation of farming businesses, add complexity to these significant challenges."

Chaired by CLA East Director, Cath Crowther, the conference started with a welcome by the Rt. Hon. Thérèse Coffey, Conservative MP for Suffolk Coastal and then Secretary of State for Environment, Food and Rural Affairs, who was followed by Matt Ryan, Head of Farmer Relationships at Oxbury Bank, which, in August 2023, saw lending surpass £500 million.



Bruce Masson

In his opening address, Bruce Masson, a partner in Larking Gowen's Farms and Rural Business Division and the event's originator, said: "The Autumn Farming Conference aims to show the direction of travel for the farming industry and how the requirements of the environment and food production can be mutually compatible.



Matt Ryan

Discussing the impact of future environmental sustainability, Matt advised: "Keep it simple and

concentrate on the things that you can control, like the cost of production, risk mitigation and efficiencies within your business. Everything else is influenced by something or someone else.

"The focus of legislation is moving towards a reduction in greenhouse gases, carbon sequestration and an increase in biodiversity of the farmed environment. Oxbury's view is that farmers and businesses which become more resilient, and are more on board with and progressive in respect of the changes taking place, will be more robust in terms of their creditworthiness and economic resilience."

Challenges and opportunities

"If you think your business is just your business and your farm is just your farm, it's not. If you are to trade anything into a commodity supply chain, you are going to have to start showing environmental and carbon information to go with it. External drivers are pushing farmers to become more sustainable, bringing both challenges and opportunities," Emily Norton told the audience in her presentation 'Environmental and sustainability policy and its interaction with agriculture.'

A Norfolk farmer and independent rural policy advisor, Emily has a particular interest in natural capital influences on land, food and farming. Over the last five years, she has worked with major institutional and private landowners and farmers on opportunities arising from natural capital approaches across the UK, including the development of natural capital baselining, geospatial analysis and emerging offset and credit markets. Retained as a policy advisor to Savills UK Limited, Emily is a Trustee of the Royal Norfolk Agricultural Association, a member of the National Policy Committee of the CLA and an opinion columnist in Farmers Weekly. She lives and works on a 150-acre farm in Norfolk.

In the early 1990s, Emily said, it was acknowledged that corporate power, government intervention and economic development needed to happen in a different way. That is where we got the Sustainable Development Goals, which were about how governments were supporting developing economies to meet the needs of the corporate planet.

"It started with sustainability, defined as 'meeting the needs of the present without compromising the ability



Emily Norton

of future generations to meet their own needs,' but the Climate Change Act 2008, amended in 2019, became a legally binding commitment to achieve a net zero economy by 2050. As listed businesses with shareholders, banks and some supermarkets will be asking about issues such as climate resilience and water usage, so they are starting to come down the supply chain and farms are being asked what they are doing and their impact on this.

"The language and framework of these targets is really ratcheting things up, so if we don't sort this stuff out, if we just pretend that it's business as usual, if we put our businesses under too much financial pressure now so that we can't invest for the long-term, then we will miss out on these important things that are going on.

"You can look at any number of companies in the food sector and they will all, even the biggest global ones, be saying, 'We only want to source from regenerative farms,' which begs some interesting questions as to what they mean by regenerative farming. And it's not just carbon that this impacts, but a much broader set of

metrics that farms will need to offer supply chains to keep to those conditions of market access."



Ideally, this starts to mean that good farms get paid for being good, because businesses will want to deal with you because it costs them less to deal with good farms than to do business with bad farms. This is the direction of travel, so if we are talking about it this year, it will become a thing next year and be everywhere within five years."

Effective data management

Henry Welham, Partnership Manager for YAGRO, which exists to transform the food and farming industry through accessible, advanced data analytics, highlighted the increasing importance of more effectively utilising farm data, which he defined as "information endowed with relevance and purpose." In his presentation 'Unlocking value with a farm data strategy,' Henry said: **"Digital agriculture is evolving globally, so farmers need to consider how they manage and ultimately use collected data."**

Highlighting the importance of a solid data strategy, he added: "The value of farm data lies in identifying the variables which could limit or drive productivity. Having the tools to explore new opportunities, reduce the risk of volatile markets and improve efficiencies, while making use of data to support decision making at the correct time, are also paramount. Without the effective use of farm data to drive informed decision making, it will be exceedingly difficult for farms to continue to improve, drive efficiency and reduce risk."



Henry Welham

Making the most of water

In the light of last year's extreme drought, increasing pressure from the Environment Agency and the last major water infrastructure in England being some 30 years ago, the afternoon's speakers highlighted how to make best use of water through more effective management.

The topic was also the subject of an interactive discussion involving all the speakers. Chair John Patrick (Sustainable Water Solutions@ LLP) was joined by Andrew Marriott (Rural Adviser, CLA East), Charlie MacNicol (Managing Director of Stody Estate Ltd, a family-run, diversified and ever-evolving estate in North Norfolk), together with Sarah Kerkham (Norfolk farmer and Chair of abstraction and irrigation co-operative, Heronhill Water LLP), along with Chris Robinson (Norfolk Assistant Project Manager, Reclaim the Rain).

Setting out the CLA's priorities for water, Andrew said that the organisation's vision is that by 2030, rural land-based businesses have reliable access to supplies to meet current and future needs, are resilient to flood and drought, and recognised

for their stewardship of water quality and resources.

Addressing water availability, Andrew pointed out that under the current trajectory of rising temperatures, water availability in England could be reduced by 10% to 15%, with some rivers seeing up to an 80% decrease in flows during the summer

months. It's clear, he added, that the current approach to water resource management will no longer be sustainable and that new, holistic and innovative methods, such as the Felixstowe Hydrocycle Project, will be needed to increase resilience to drought and make sure that agriculture has a robust supply for current and future needs.



Water strategy fundamental to Norfolk estate

"Having sufficient water available is not just about being able to grow high-value vegetable crops, but also protecting cereal yields and quality. We irrigate wheat and spring barley, with clear proof we can add 1-1.5t/ha to wheat yields and protect quality by irrigating spring barley, which makes malting spec at a £90/t premium," Charlie MacNicol, Managing Director of Stody Estate in North Norfolk, said.

The business has seven areas of activity with farming at its core, the others being water and minerals, forestry, residential and commercial property, community aspects, and a garden which opens to the public. Stody Estate farms 1,640ha and grows 9 to 12 crops, split into 'owned' crops (wheat, oilseed rape, winter barley, spring barley, sugar beet and vining peas) and 'shared' crops (potatoes, onions and outdoor pigs). Conservation comprises 491ha, every field having a floristically enhanced (HE10) or cultivated (HF20) margin, wild bird covers, hedges, resource protection and ponds.

"Our water strategy is fundamental in terms of what we can provide to our partners and what they want from us," Charlie added. "We are growing high value, premium vegetable crops and you simply can't do that on our light, sandy soils without water. Investment in our water strategy and reservoirs guarantees farming at Stody, so hopefully we will always be able to grow food and attract the best partners."

"We were able to achieve a River Glaven abstraction licence for 370 million litres, and with that build out the reservoirs. Without significant government funding, or another source of capital, building large-scale reservoirs is difficult to justify, even with a 20-plus year return, so we were lucky that our light-sandy soils have occasional gravel deposits.

"We found a site which worked for us from a reservoir point of view and entered a partnership with the Mick George Group to abstract sand and gravel, which started in 2014. Planning took five years, but in 2019, we created a 210 million litre reservoir and will have another 330 million litres by 2027.

"As part of the wider project carried out by Prime Irrigation, we renewed our mains to bring water to every field on the estate and our neighbours' properties. We only abstract from the River Glaven in high-flow situations and pump excess water into large pools. By capturing water during periods of high flows, we will end up with two reservoirs with 585 million litres of capacity, about 200,000m³. That is more water than we can use on our estate and contract farms, but with two dry springs in the last four, every one of our neighbours is buying water from us.

"From both economic and environmental aspects, I was keen to build our own 500kWp of solar PV and another 100kPV will be added



Charlie MacNicol

shortly. Solar and irrigation fit quite well because, from May to August, the sun is at its strongest, so about 50-60% of irrigation electricity comes from the sun, which is a great cost and environmental saving. However, I would like to oversize the solar and build batteries alongside so that they are permanently charged as this would allow us to irrigate at night. We have connected this grid into the quarry, which is a good fit as it runs from 7am to 5pm, five and a half days a week, so that's a regular use of power which we provide.

"It's not just about farming and taking water from one part of the farm to another. We are fortunate to be custodians of the River Glaven and have restored, with the aid of grants, about 1km, adding bends, changing the width and depth of the river, allowing alder to come back in a controlled way, through sensitive grazing by cattle, with arable buffer areas and through pond restoration."



John Patrick

John Patrick, owner of a water consultancy business and committee member of the East Suffolk Water Abstractors Group (ESWAG), said:

"Water resources in the East of England are under pressure due to population growth, upward demand for

irrigated crops and climate change. This is particularly pronounced on the Felixstowe Peninsula in Suffolk, where even during the winter when river flows are at their highest, no additional water is available for abstraction. By 2050, summer rainfall will be 30% less and river flows 81% lower, while in winter, rainfall will be 35% greater and river flows 35% higher, so it's about how we flex our farming and change how we take water to make that sustainable."

With farmers in the River Ore and Alde facing serious challenges to their abstraction licences in the future, John highlighted the group's involvement in Felixstowe Hydrocycle Ltd (www.felixstowehydrocycle.com), a water supply business owned and operated by six cooperating farming businesses to futureproof their water security and optimise their operations.

You can sign up to receive the latest news and announcements on the conference by joining our Farms and Rural Business mailing list: www.larking-gowen.co.uk/sign-up

Client focus: T H Scott



Robert Scott with some of the New Zealand Romney sheep which were reintroduced in 2020. Since returning home he has focused on building T H Scott & Son into a unique one-stop shop for farm contracting clients in mid-Norfolk.

Professional advice is critical to the success of Norfolk family's farming and contracting business

"Professional advice is critical to the management and ongoing development of our businesses, but must add value to what we do," emphasises Robert Scott, whose family have worked with Larking Gowen for more than a decade.

The Scotts started farming in Norfolk during the 1870s, then in 1911, John Bryan Scott purchased School Farm, Beeston, where Robert's parents, Suzie and Hugh, have lived and farmed since 1985. They now farm in partnership with Robert, the fifth generation of the Scott family, who has grown the business into a much larger contract farming operation. A one-stop shop for a wide range of clients, from large estates to small mixed farms, it works with those who

are a good fit in terms of the owner's personality and ethos, as well as from a geographical, machinery and labour viewpoint.

Committed to a more regenerative approach, Robert studied Rural Enterprise and Land Management at Harper Adams University. Starting there in the mid-2000s, he was discouraged, by Hugh, from farming directly as commodity prices were in the doldrums. A qualified chartered surveyor, Robert spent a year on the Sandringham Estate, then seven years with Savills as a Farm Business Consultant, followed by a year as an outside consultant.

Those experiences underlined the importance of fiscal management

and cashflow to any successful business, and of the need to 'think like a customer'. Both have had a major influence on how Robert has managed the business since returning home in 2017.

At that time, T H Scott & Son employed no outside staff, so during the first year he was necessarily very 'hands-on'. Most of the winter was spent operating a hedge cutter, the family having purchased an established local business to provide work during what would otherwise have been a quiet time for the farm and contracting operation. It operates two Shelbourne Reynolds flail-type machines, cutting hedges and verges for farms, estates, households and councils throughout mid-Norfolk.

Growing the business

Robert has grown the arable operation substantially to 1,800 hectares, 70% of which is light land that can bake hard in summer yet is easily compacted by heavy rain in winter, the remainder stronger clay soils more suited to wheat rather than barley and root crops. Rotational grass leys and livestock finishing has been introduced into the farming mix, including store lambs which are fattened from October until March.

A key element in developing the business has been to recruit and retain professional staff, which now include five full-time within the farming and contracting operation, and a further three working full-time for the family's haylage business, EH Haylage. All are involved in an annual review, where Robert sets out his vision for the year ahead and everyone has an input.

Laurie Hill has played a key role in the development of the Scott family's businesses. Having joined Larking Gowen in 2019, he became a Partner in the firm's Farms and Rural Business Team in April 2023.

"It's important that everyone understands what we are doing, why we are doing it, and where we want to take the business," Robert emphasises. "Quarterly management meetings are attended by Laurie Hill from Larking Gowen, who has been at the frontline of our growth and is a key part of the management team. Without his input we wouldn't be where we are today, so whenever I'm thinking of doing something he is my first call, after my parents of course! Laurie also attends family meetings throughout the year, and we speak at least monthly. It's vital to have a trusted third party critique your business to avoid becoming too insular, so his input is invaluable.

"With Laurie's guidance, we have moved our fiscal year, produce forecasted figures for tax planning, and meticulously plan and manage our cashflow. Knowing our numbers and exactly where we stand financially is hugely beneficial when it comes to discussions with clients, because they see that we are being completely honest and transparent.

"Laurie also advised us on the acquisition of EH Haylage

(www.ehhaylage.co.uk), an established supplier, which we purchased in 2021. We had been growing haylage under the T H Scott brand for nine years when the opportunity arose and we've developed the EH Haylage brand significantly. The business takes grass from 182ha of land on crop licences and processes it into haylage, which is sold in 20kg bags and 100kg bales. The operation now has over 50 outlets throughout East Anglia, sells direct to race and livery yards, as well as exporting products as far afield as Indonesia."



Laurie Hill, Partner, Larking Gowen

No-till is the way forward

The Scott family's core business, which includes 200ha of in-hand land at two sites in Beeston, School Farm and Memorial Farm, is providing arable whole-farm contract farming services to private landowners in mid-Norfolk, which they have been doing for over 35 years. It produces a variety of arable crops, including cereals, oilseeds, sugar beet, peas and grass for commercial horse feed. Recently, livestock have been integrated into the farming rotation as part of a more regenerative approach to the way in which food and fibre are grown.

Employing a contractor provides clients with access to additional labour, specialist expertise and modern equipment. The business utilises a range of John Deere tractors from 155hp to 250hp and a John Deere S790i combine with a 12m draper header, which complements the 12m drill and 36m sprayer, allowing a Controlled Traffic Farming (CTF) system to be operated. All are supplied by John Deere dealer Ben Burgess, which has a branch in Beeston and provides excellent service. Tractors are mostly operated on five-year hire purchase agreement, supported by a five-year extended warranty package.

More recently, T H Scott & Son has invested in no-till farming, a technique which will play a key role going forward, as Robert outlines.

"Where previously we had grown cover crops in winter, the soil was noticeably better drained, more friable and crumbled beautifully. My 'lightbulb' moment came in autumn 2019 after we had worked down a significant area of land ready for sowing, then had a period of extremely wet weather, which meant that nothing more could be

drilled until spring. And where we had established crops, our sprayer at the time got stuck applying pre-emergence herbicides.

"I was determined that would never happen again, so after much research and visiting other farms, we decided that cover crops and direct drilling were the way forward. Reducing establishment costs was another reason; because farmers are price takers, careful management of production costs is vital to profitability."

The purchase of a 12m Horsch Avatar direct drill has greatly extended the sowing window. Operating with RTK precision guidance, it benefits from a micro-granular applicator and two seed tanks, providing the option of mixing seeds or fertiliser placement with the seed. For varying soils and weather situations, the business also offers customers an Amazone Cayena tine-type direct drill fitted with Bourgault 13mm points.

In 2022, 70% of winter crops were no-till drilled, 500ha of cover crops established, and nitrogen use on wheat reduced by 20%. In 2023, the business introduced a living clover mulch to a field of oilseed rape and conducted seed rate trials suited to the 25cm drill row spacing. It also introduced humic and fulvic acid to all applications to boost microbial activity, trialled its first wheat seed blend and went insecticide-free on the family's own cereal crops.

Robert manages all machinery through JDLink™, a fleet management app on his phone. Designed to make operations much more productive and efficient, it provides machine visibility in terms of location, utilisation, fuel level and maintenance to name but a few. Without it, he says, operating the business would be more difficult, less efficient and more stressful.

Risk management is key

"At the end of the day, farming profitably on marginal land is all about managing financial and agronomic risk," Robert outlines. "As part of that process, and because its costs are so front-loaded, we have reigned in our oilseed rape area to 110ha this season, about half of what we used to grow. Next year it could be 30ha to 40ha or gone entirely, replaced by clover and grass as part of the Sustainable Farming Initiative (SFI) or grown for our haylage business.

"We should farm productive land intensively and make use of environmental subsidy payments to help put heart back into marginal land and reduce purchased inputs. Some of the non-farming options in the SFI and CSS (Countryside Stewardship Scheme) are competitive with less productive crops on poorer land, so in future we may be cropping less area.

"Food production remains a challenging profession, in no small part due to the framework in which we operate. I am sceptical of any government's intentions as politicians have a poor recent track record when it comes to making good decisions for our industry, making it more difficult for commercial businesses to do their job and be profitable.

A regenerative farming journey

The Scotts view regenerative farming as a direction of travel rather than a set-in-stone system which involves considering and improving the natural environment for future generations, whilst producing food and fibre for the present. The approach takes many forms, but generally follows five principles: minimise soil disturbance, protect the soil surface, keep living roots in the soil, grow a diverse range of crops and integrate livestock.

The introduction of over-winter cover crops in 2014 to improve soils has had a big effect in reducing compaction by dissipating the energy of heavy rain, creating a wider drilling window and improving soil condition.

Free-range turkeys were introduced in 2017 to provide additional organic matter, the site being rented and run by Traditional Norfolk Poultry (TNP) Ltd. Utilising fallow and woodland, the Norfolk Bronze birds are a source of manure, reducing the requirement for synthetic fertiliser. Truly free-range, Red Tractor and RSPCA freedom-food assured, they can be found as premium brand whole birds in supermarkets at Christmas.

In 2018, the area of rotational grass leys was doubled and the following year, the Scotts attended their first regenerative farming event, while vining peas were introduced to increase legumes into the rotation.



Successive wet winters in 2019 and 2020 provided a better understanding of climate change and carbon capture, while escalating production costs sped up their pursuit of change.

The year 2020 saw the first purchase of store lambs, sheep were reintroduced to the farm, and the business joined Base UK, a farmer-led knowledge exchange. It also began evaluating bio-stimulants in place of synthetic sprays, experimented with reducing fungicide use and their removal at the T1 timing, as well as carrying out crop termination trials comparing glyphosate versus grazing.

Sheep provide a way of better managing grass leys grown for haylage and cover crops in their regenerative system. Grazing livestock allows land to be rested from arable production by growing grass or multi-species cover crops. This land use sequesters carbon, whilst grazing allows the landscape to be managed

"Phasing out the Basic Payment Scheme is going to hurt arable farming financially, no doubt about it. The overall financial pot will be smaller and there's only so many ways to divide it. Farming will carry on, but we will need to consider very carefully what we do and how best to do it. Many will seek early retirement, creating opportunity for contracting businesses such as ours.

"Looking ahead, I think that as an industry we will be farming more like we did a hundred years ago, namely, more extensively, with much more fallowed land for wildlife and using legumes to build fertility as part of a more regenerative approach. But we will need to adopt an even more technical, more precise approach, supported by highly skilled and well-rewarded operators."

As part of the process of change, the family are growing a trial area of pesticide-free wheat for Wildfarmed, an organisation which aims to provide a viable alternative to the current industrial food system. The Scotts continue to fine-tune cover crop establishment with a new shallow cultivator/seeder unit and have been trialling sunflowers to reduce inputs when growing break crops. The home-bred New Zealand Romney flock also continues to grow as the family begins to consider life post BPS.

without the need for synthetic chemicals or heavy fertiliser use for that part of the rotation. Grazing animals tread the soil, provide manure and eat weeds, diseased leaves or unwanted volunteer crops. They also provide a farm with soul!

The year 2021 brought the introduction of large-scale lamb grazing of cover crops and grass leys, the purchase of the two direct drills, and over-winter grazing of cereal crops with livestock was adopted. The business continues to rear some 1,500 Red Tractor quality-assured lambs per year on contract for farms in the north of England. The farm also has its own flock of New Zealand Romney ewes which graze herbal leys. By managing livestock themselves, the Scotts have complete control over their haylage and farming systems for better crop management, whilst allowing them to offer a one-stop shop for landowners wanting to pursue a mixed regenerative approach.

EH Haylage

EH Haylage was developed by event rider Ed Howard for his horse Basil, who became allergic to the dust in hay and developed COPD, prompting Ed to develop a dust-free alternative forage to traditional hay. EH Haylage has gone on to produce over a million haylage bales over a 16-year period with multiple product lines for horses' differing nutritional needs. In 2021, Ed handed the EH Haylage

reins over to his cousin's family, the Scotts, marking a new chapter in both haylage brands, with production being consolidated under the single banner of EH Haylage at new purpose-built premises in Beeston. Ed continues to advise on grass growth and production, while in September 2023, Ian Gibson, who has over 25 years' experience in the equine feed industry, joined as General Manager.



Despite seemingly endless rain in the preceding weeks, this crop of winter wheat was emerging well during the second week of December, having been direct drilled into a cover crop in October.



This field of oilseed rape was looking extremely healthy, having been direct drilled into wheat stubble during August.



Woodland Carbon – an option to diversify

Since 2020, Brown & Co has been working with Carbon Plantations to deliver an exciting opportunity to de-risk land-based income streams.

The model is through entering into a long-term commercial lease that allows blocks of land to be dedicated to short-cycle coppiced woodland, generating timber, carbon incomes and environmental benefits. This new model allows landowners to earn substantial income index linked for 35 years for blocks of light/medium land that can be irrigated. Rents are extremely competitive and benefit from annual inflationary increases and profit share (subject to land quality and size).

In 2022, Carbon Plantations established our pioneer project at Euston Estate in Suffolk. Covering 195 hectares, 75% is devoted to Phoenix One®, 15% to native woodland (equivalent to 33,000 trees) and 10% is open ground (as approved by an Environmental Impact Assessment (EIA) led by the Forestry Commission and key stakeholders). Euston Estate itself has a strong track record of promoting sustainable projects, including renewable energy and environmental stewardship schemes.

At Euston Farms the Paulownia plantation project, in addition to capturing carbon, seeks to improve biodiversity by creating and uplifting onsite habitats, increasing the size of existing habitats and developing connectivity in the landscape. The project conforms to UK Forestry Standards (UKFS), which require that a minimum of 10% of the project areas is open space and 15% is native woodland. The design of the project sites is a collaborative process that allows for landowners' preferences to be incorporated. As the Biodiversity Net Gain (BNG) market develops,

there may be opportunities for Habitat Units to be generated for commercial sale.

In 2023, a further 268 hectares on 4 sites have been established, with a total future project ambition to plant 2,500 hectares this decade (of which 375 hectares will be native woodland). This translates to nearly 2 million trees with the ability to capture over 5 million tonnes of carbon dioxide in the next 35 years. The Phoenix One® itself has a commercial coppicing lifespan of over 80 years.

"This innovative and exclusive project is something Greg and I have been delighted to be involved with as it provides suitable landowners with the opportunity to create a diverse and secure income stream, which helps mitigate the risks and pressures farm businesses are facing," said Henry Cockerton, Partner at Brown & Co.

Brown & Co are actively looking for suitable sites for the next phase of this

project. Their requirement is for blocks of light land which can be irrigated, with a minimum project size of 50 hectares (this can include multiple smaller parcels).

At Larking Gowen we would be happy to discuss how the Carbon Plantation scheme might be relevant for you and your business, how it might fit within your business structure in addition to covering the surrounding tax implications. If you are considering this as an option, please do get in touch with your usual contact.

Laurie Hill, Partner at Larking Gowen, commented, "The scheme would create an additional and de-risked revenue stream for a farming business, especially given the volatility we're experiencing in the industry. Nonetheless, it must be commercially the right decision, whilst keeping an eye on the tax consequences."



Euston Estate

Solar farms and inheritance tax

Large-scale solar farms typically involving several landowners are becoming more commonplace as both the UK shifts its focus to renewable energy sources and farmers and landowners look to diversify their income streams. With such attractive income streams (typically in excess of £1,000/acre) and long leases (30 to 40 years), the tax planning needs to be considered at the earliest stages of the project.

The main issue is that land for solar farms will be taken out of agricultural use and will become an investment asset. This means the land won't benefit from Agricultural Property Relief (APR), although some agricultural activity (for example, sheep grazing) may continue on the land. This may allow the agricultural value of the land to benefit from APR but is by no means certain.

The land may benefit from Business Property Relief (BPR) under the 'Balfour' principles but the quantum of

income received compared to the rest of the business' trading income will almost certainly preclude BPR being available. So, what are the options?

With the leases being typically 30 to 40 years, the land is best held in a younger generation's ownership as they are more likely to see out the full lease term. Obviously, this isn't ideal for the landowner if they want to benefit from the income streams but it can protect the landowner from a punitive inheritance tax (IHT) bill on their demise.

Ordinarily, the land can be gifted by the landowner to the younger generation with the capital gains tax (CGT) 'held over', provided that the land qualifies for APR at the time of the gift.

Many solar farm developers will take an option over the land and it's advisable for any transfer or restructure to occur before the option is signed. The signing of an option

doesn't necessarily increase the value of the land but does avoid any post-signing complications of novating the agreement to 'new' owners. The value of the land will increase, almost exponentially, on the exercise of an option, so transfer to new owners will probably not be protected by the CGT hold-over provisions.

The new ownership and structure can take many forms, e.g. partnership, trust (discretionary or bare), sole trader, limited company; but there's no 'one size fits all' as everyone's circumstances will be different.

The key is that advice and action must be taken from the outset of any approach from a solar farm developer. It's unlikely that doing nothing will be the best option in the long run.



Bruce Masson



Greg Beeton



Henry Cockerton



If you believe your land might be suitable, please contact Greg Beeton (greg.beeton@brown-co.com) or Henry Cockerton (henry.cockerton@brown-co.com), who lead the Brown & Co project team, for more information.

What effective data management is telling us about farming



Having access to the right data, at the right time, results in the right decisions, according to farm data analytics specialist, YAGRO. The company's Harvest Review 2023 highlights an intriguing and varied season with wide spreads in yields and prices. The yield variability of certain varieties certainly gives pause for thought. Similarly, the volatility in fuel prices highlights the importance of carefully timing purchases. If you are seeking efficiency, one Group 4 wheat's cost of production per tonne is 50% lower than another.

and lows of 63ppl, a 40ppl range. The previous year's range was 80ppl, from 148ppl down to 68ppl.

Variable inputs

Variable input costs have increased significantly over the past two seasons, heavily skewed by fertiliser prices and consistent across the main crops analysed, winter wheat and barley, spring barley and OSR. Particularly noticeable is the increase in costs per tonne versus cost per hectare of crop harvested, so every tonne sold has cost more to produce.

Between 2019 and 2023, the Cost of Production (COP) for winter wheat increased by 51.2% in £/ha terms, 62.2% on a £/t basis. For winter barley the respective figures are 34.5%/47.1%, spring barley 46.1%/82.4% and oilseed rape 33.3%/59.6%.

Fuel

YAGRO found that the average fuel price in 2023 (delivered, ex-VAT from YAGRO MarketPlace) decreased slightly, with red diesel down 25% compared to 2022. However, there was significant volatility, with highs of 103 pence per litre (ppl)

Chemical/fertiliser inflation

The price per litre of most chemicals is creeping up, except for glyphosate, which is down from its 2022 high.

Chart 1 shows the price per kilo of all nitrogen products over the past five harvests, highlighting both the huge rise in costs and the spread of prices per tonne. How you purchase inputs, which inputs you use and when you purchase them are clearly becoming increasingly important.

Varietal data (costs) – winter wheat

YAGRO's Harvest Review analyses crops by variety. Chart 2 shows the variable costs incurred in growing 13 varieties of winter wheat, divided between seed, fertiliser, fungicide, herbicide and other costs, while Table 1 shows a breakdown of costs for four of those in percentage terms.

Chart 3 shows the same data analysed on a COP per tonne (£/t) basis, while Table 2 shows a similar percentage breakdown of seed, fertiliser, fungicide, herbicide and other costs.

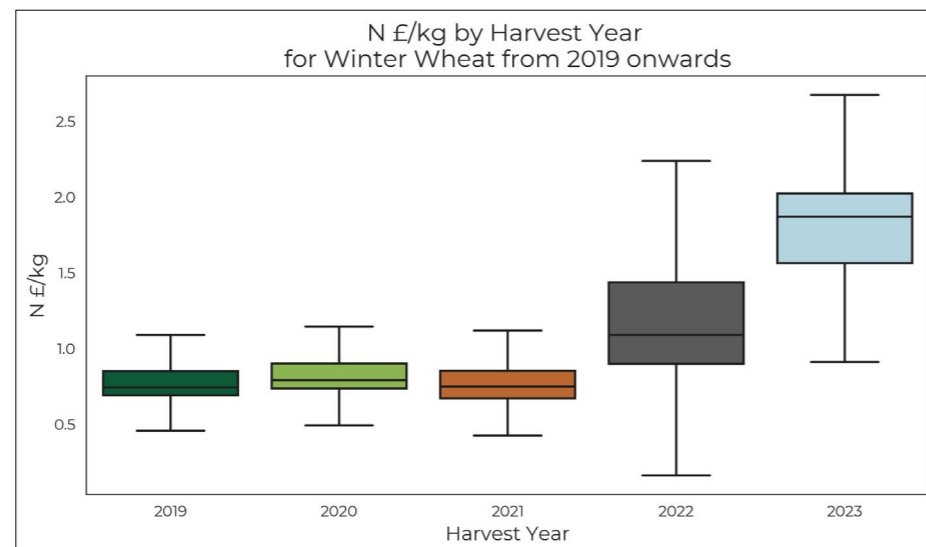


Chart 1

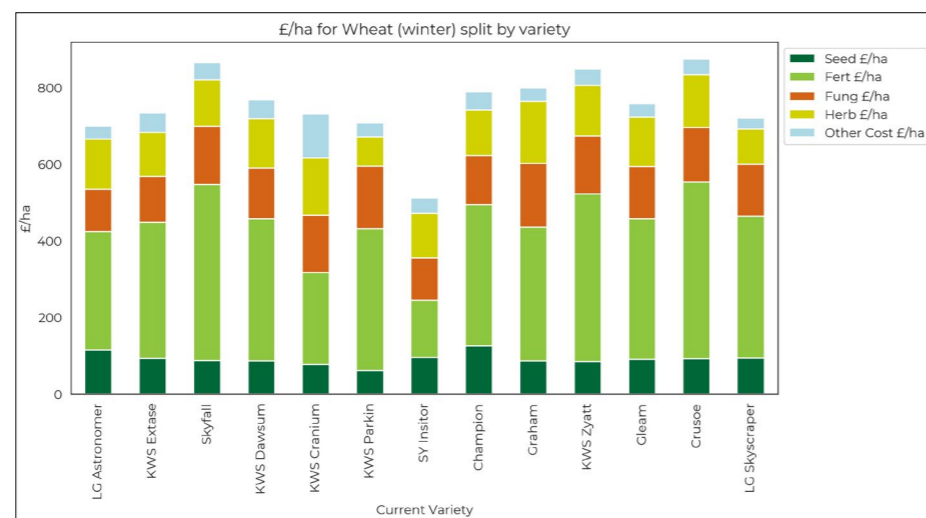


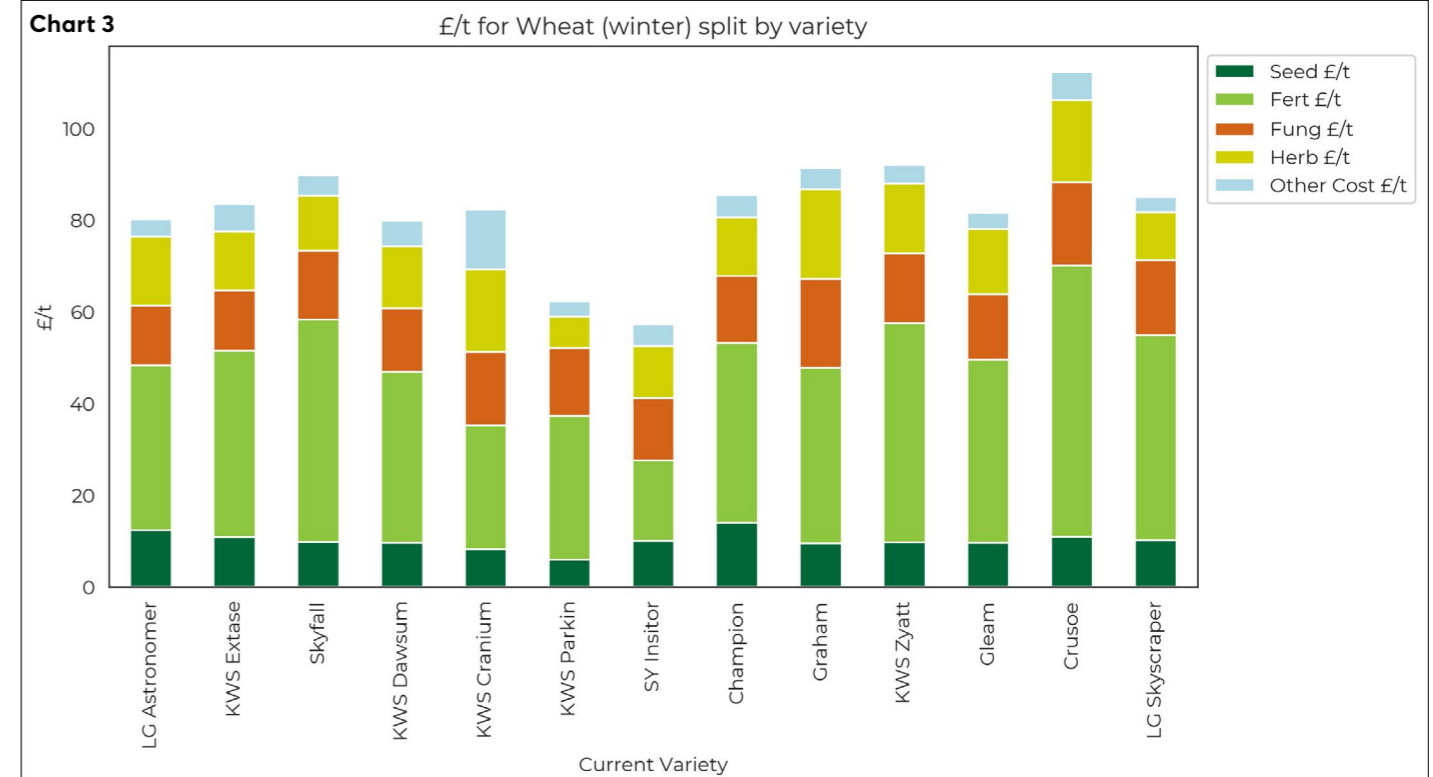
Chart 2

Table 1: Winter wheat variety COP £/ha (2023)

Champion	Seed 15.9%	Fert 46.8%	Fung 16.2%	Herb 15%	Other 6.1%
Crusoe	Seed 10.5%	Fert 52.8%	Fung 16.2%	Herb 15.7%	Other 4.8%
KWS Zyatt	Seed 10%	Fert 51.6%	Fung 17.8%	Herb 15.6%	Other 5%
Skyfall	Seed 10.1%	Fert 53.2%	Fung 17.6%	Herb 13.9%	Other 5.2%

Table 2: Winter wheat variety COP £/t (2023)

Champion	Seed 16.3%	Fert 46%	Fung 17.1%	Herb 14.9%	Other 5.7%
Crusoe	Seed 9.6%	Fert 52.7%	Fung 16.2%	Herb 16%	Other 5.5%
KWS Zyatt	Seed 10.5%	Fert 51.9%	Fung 16.6%	Herb 16.4%	Other 4.6%
Skyfall	Seed 10.9%	Fert 54%	Fung 16.7%	Herb 13.3%	Other 5.1%



Varietal data (yields) – winter wheat

The adage 'yield is king' still resonates, but YAGRO prefers 'efficiency is king' to focus on the more relevant 'COP/tonne' and 'gross margin' of each crop. The company's 2023 Harvest Review displays the yield ranges of the most-grown winter wheat varieties on the YAGRO platform.

KWS Extase has the highest recorded yield, 14.2 t/ha, with outliers at the lower end of the spectrum. LG Astronomer averaged around 11.5 t/ha, but its consistency across all farm variables placed it at the top of YAGRO's list of normalised yields. It performed well with few outliers, averaging 10% higher yield than LG Skyscraper.

Varietal data (costs) – winter barley

KWS Tardis demonstrates consistency of costs, whereas SY Kingston and KWS Hawking saw greater variations, the former receiving the highest £/ha overall. On a £/t basis, SY Kingston, a six-row feed variety, remains at the top of the variable costs for winter barley varieties. KWS Hawking recovered at harvest from a high £/ha variable input cost by yielding well and landing a low £/t.

Breaking those costs down into constituent parts shows that fertiliser is the main driver in winter barley production. SY Kingston's fertiliser costs were 115% higher than SY Kingsbarn on a cost per hectare basis, despite both being six-row feed varieties. SY Kingsbarn catches the eye when analysing yield

(t/ha), having the highest recorded outlying yields, but low input costs and high potential yield. SY Kingston, despite the highest £/ha variable costs, yielded lower than most other varieties.

The stand-out spring barley variety, Laureate, had the lowest average £/ha COP, being 25% below RGT Planet and with a competitive yield. Explorer had the highest variable costs (£/ha), so a simple conclusion would be that it is a high-cost variety to grow. However, the cost per tonne (£/t) shows that its output makes it a solid investment.

Varietal data (costs) – OSR

OSR's viability is an ongoing debate, not least due to the threat from cabbage stem flea beetle. Aurelia's COP (£/ha) was 37% higher than Flamingo, but in £/t only 2% higher, with a tighter range. Both are performing well, with fungicide only a small portion of spend. The data highlight Acacia's lower cost per hectare and per tonne compared to its peers, alongside a much broader-ranging yield potential. Also, they show a significantly higher chemical spend on Campus, yet an average yield return compared to the other varieties in this report.

Bruce Masson, a partner in Larking Gowen's Farms and Rural Business division, comments: "Having access to timely, accurate data is becoming increasingly important to farming businesses and advisers. It allows them to make better decisions rather than relying on 'gut feel' or 'what they did last year.'"

Read the full YAGRO Harvest Report 2023 at www.yagro.com.

Profile: Arabella Woodruff



Brought up on her family's farm on the Norfolk/Suffolk border, Arabella Woodruff has always had a close connection with agriculture and the countryside.

"As a teenager, there was always a job to do on the farm, and at school I was interested in anything to do with numbers, mathematics or business. My A-levels were in economics and business studies, so it was natural to choose a profession which connected them," said Arabella.

"My stepfather is a Larking Gowen client, which helped to secure me a week's work placement with the firm in 2015. I also spent a week with a large pet food manufacturer in Europe, which further underlined the value of accountancy in the effective operation and profitability of any business, what it takes to run one, and clarified where I wanted to specialise.

"I joined Larking Gowen in August 2016 directly from school, rather than going to university and then into accountancy. I learned the profession and increasingly worked with clients, initially preparing accounts for sole traders and small businesses. The firm sponsored my Association of Accounting Technicians (AAT) and ICAEW Chartered Accountant (ACA) qualifications, which was tremendously helpful as it enabled me to gain practical experience while studying and without incurring the high cost of further education."

Having qualified as a chartered accountant in 2021, Arabella was recently promoted to assistant manager in the Farms and Rural Business team. Based at our Norwich office, she provides accounting, tax and business advice to a variety of clients, ranging from sole traders to small and medium sized limited companies. Located in an area from North Norfolk to Cambridgeshire, they are primarily farming businesses and large estates, but also include associated operations such as wedding venues and holiday lets.

"Although I'm no longer involved directly in farming, my background in the industry enables me to understand and empathise with agricultural businesses," Arabella adds. "Farmers generally had a particularly good year in 2022 because of high commodity

prices, but 2023 brought serious challenges due to the catchy harvest and much lower commodity prices. The very wet autumn also meant that many farms were unable to meet autumn drilling targets, which will have a knock-on effect in terms of increased spring drilling and, likely, a reduction in profitability.

"Any business needs stability to plan with confidence so, unsurprisingly, the mood in farming is currently one of uncertainty, largely due to the lack of clarity from government. Progressive reductions in the Basic Payment Scheme, uncertainty over grants, lack of information on inheritance tax reliefs, huge variations in commodity prices, volatile input costs and the very real possibility of a change of government during 2024 are all factors. Compounding these challenges, increasing interest rates and tightening lending criteria are conspiring to make planning difficult.

"With loans becoming both increasingly difficult to obtain and more expensive, finance houses are focusing on the ability to service borrowing, so up-to-date accounts that demonstrate the true position of a business are now much more important.

Contact Arabella:

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"Against this uncertain backdrop, we have some clients who are looking to clear debt, while others need help in preparing cashflow and profit forecasts to keep lenders on side as part of restructuring existing borrowing or making new investments."

Whichever route you're taking, it's important to make sure that your business is correctly structured and to plan as best you can, which is where Larking Gowen can help.



Although I'm no longer involved directly in farming, my background in the industry enables me to understand and empathise with agricultural businesses."

Profile: Nina Baker



Nina Baker, a senior manager within Larking Gowen, advises a wide range of clients on accounting, tax and business issues. Based at our Fakenham office, she also deals with all aspects of personal tax compliance and specialises in providing bespoke tax planning advice to clients in areas such as inheritance tax and estates.

A graduate of the University of East Anglia, where she gained a degree in Accountancy and Finance, Nina started work with a large national accountancy firm in Norwich, qualifying as a member of the Institute of Chartered Accountants in England and Wales in 2005. When that firm closed its office in the city during 2007, Nina joined Larking Gowen at the firm's Fakenham office and continued her studies to become a Chartered Tax Adviser (CTA), a milestone achieved the following year.

Initially, Nina worked with clients across a range of industries, but after Larking Gowen restructured into more specialised teams, she joined the newly formed Farms and Rural Business division. One of the largest agriculture accounting specialists in the UK, it advises clients on all aspects of tax planning, succession planning, diversification, rural businesses, trusts, development land, Farm Business Tenancies (FBTs) and Agricultural Holdings Act tenancies (AHAs). It also has a standalone consultancy service offering support to clients and their professional advisors.

"Most of my clients are farming businesses in North Norfolk, ranging from smallholdings and small family farms to large estates," said Nina. "Working from Larking Gowen's offices at Fakenham and Holt, I enjoy advising on tax issues and have started to do more in this field, particularly inheritance tax. Whereas, perhaps, this once was a non-issue, the static nil rate band is impacting more of our clients, so they must consider the need for inheritance tax planning to mitigate its potential impact.

"An increasing part of my time is also spent on probate work, including raising awareness of the need for effective planning to minimise the tax liabilities for following generations.

"Families are often reluctant to address what is, for many, an extremely sensitive subject, but doing so at an early stage will make things much more clear-cut and far easier at what is, almost inevitably, a challenging time for everyone. Having an open dialogue is vital and we can work closely with clients' solicitors to

make sure that effective plans are put in place, and everyone knows exactly where they stand.

"My experience of Larking Gowen is that the firm has a lot to offer, both for those already established in the profession and those coming into accountancy either directly from school or from university, who we help to achieve their professional qualifications. It's a very progressive working environment which brings out the best in everyone."



Most of my clients are farming businesses in North Norfolk, ranging from smallholdings and small family farms to large estates. Working from Larking Gowen's offices at Fakenham and Holt, I enjoy advising on tax issues and have started to do more in this field, particularly inheritance tax."

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Embracing technology in farming: A digital accounting revolution

There's been a significant shift towards digitalisation in the farming sector, from tractors right through to the books! Guest, William Wadsley, recently joined digital specialist partner, Martin Bugg, and cloud accounting specialist, Jessica Rafferty-Smith, in a special farming episode of the **How Digital Can Supercharge Your Business** mini podcast series. They discuss what the role of online accounting means to farmers in the day-to-day running of their farms, and how our experts are equipped to help with the transition.

If you're a farmer or involved in a farming-related business and want to explore the benefits of cloud accounting and digital technology, this is the episode for you. Understanding the benefits of online accounts will play a pivotal role in enhancing decision-making, optimising operations, and planning for your future.

Larking Gowen
INSIGHTS
Accountancy & Business Advice for all.
with **Martin Bugg and Jessica Rafferty-Smith**

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How can we help you?

We review the whole financial structure of our clients' farming and business enterprises regularly to understand their needs, aims and future aspirations. In addition to the standard accountancy and tax compliance services we provide to our clients, we routinely perform specialist services such as:



Business structure advice



Assessment of diversification plans and associated tax consequences



Succession planning and the passing of assets to the next generation



Contract Farming Agreement reviews



Capital tax planning



Contract farming accounts



Inheritance Tax advice and Will reviews



Specialist capital allowance claims



Review of Partnership Agreements



Research and development claims



Preparation of cash flow forecasts, profit or loss forecasts and business plans



Probate services and estate accounts

If you are searching for a personal and client focused approach then please get in touch with us for a free initial consultation on-farm or at one of our offices.



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You can sign up to receive the latest news and announcements on the conference by joining our Farms and Rural Business mailing list.

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