

The recent sale of Cadbury to Kraft set one of our farmers thinking about whether the unthinkable is thinkable – should they sell part of their business?

Are you a Cadbury or a Kraft?

We like to think we are the generation of diversification and development. We have become property managers as well as producers. Bakers and millers as well as growers. World class cheese makers have evolved from milkers of cows and sheep. Actually, it's been going on for years and generations. Some, as in this case, are better at the diversified business than the one they inherited. Perhaps only naturally, given the business they have started from scratch required the spark of entrepreneurship, and really personal ownership rather than knowledge by osmosis and pressure from birth.



The new business has hopefully contributed well to the profit and cashflow, but is there more to be had? A sale and some cash with a new tenant in the yard? Acquisition of a partner/complementary business with building economies of scale and more profit?

Some businesses quickly reach the stage of maturity when they have real marketable value in an exit strategy. Despite the general economic gloom businesses are still obtaining values in excess of expectation and leaving clients with funds to develop "the next big thing", to focus on the core business, clear debt or indeed to exit. Think Cadbury to Kraft but with a smaller pond!



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The key to preparing a business to sell is information. Clear, concise financial statements and records. Preferably showing a story of success and development. A developed and mature business plan that has provenance and history attached to it. It does not need to be a vast tome but it does need to be accurate and deliverable and, importantly, to have in part already been delivered.

A loss making business is not necessarily a dead duck. Often we cling for too long to a loss making enterprise, generally for the

wrong reasons. True it's not going to be as valuable, it will not have as many suitors but one man's rubbish is very often another man's treasure and those marriages can be made and made successfully.

Due diligence is an important part of the buying or selling process. It does not have to be as daunting as it sounds. As a seller it is a much easier undertaking if your records and business information are accurate, up to date and verifiable. A single receipt book may not be considered enough proof that "Bloggins Cheese" is a tasty gold mine. For the purchaser, "Buyer Beware" has never been truer.

The same can be said for staff. Tupe (Transfer of Undertakings Protection of Employment) Regulations 1981) makes life challenging but not impossible. Good early advice here can save time and money later. Experience teaches us that some people hide the rubbish round the back or under the carpet. As a buyer interview prospective staff, check references. The hen that is reputed to lay golden eggs may be a turkey in disguise! As a seller, communicate with your staff. Tell them when and what

is happening. They may be sad, nervous or anxious about your actions but if they feel included and that you are being open and honest they will generally come with you and can be your best asset in a sale.

Of course it is possible to turn this whole thought process about selling your diversification project on its head. How good are you at your farming? Really? If you have a diversification project that is working, what could you do with it if you spent 100% of your time making gold bars instead of milking cows or counting sheep?

Essentially it comes down to information again. Conduct a clear concise unbiased review of your business. Do it yourself, get your accountant to check it and make some decisions.

A brief note on the banks. A supportive manager is vital and some are brilliant. Some of course are not. If you provide the information and the track record discussed above, they are likely to come with you. If they will not come with you, and you have been sensible, accurate and right in the project so far, should you be with them? They are not all bears, although admittedly there are no bulls in the field either, however... if you have a sound proposition, and can demonstrate all of the above, you will be surprised. Whether you need to access short, medium or long funds the banks need to lend as a function of their businesses as well as our own. True interest rates will rise in 2010 but there are tools to manage that risk. Investment banks will fund surprisingly small exciting projects generally in return for equity and require a very professional approach and a thick skin. They have been known to express the opinion that your product or business is great but that you are not and that they will take it but not you!

Conduct a clear concise unbiased review of your business. Do you have hens that lay golden eggs or turkeys?

Finally remember Calcutt's Law 371 "Half of a big bar of chocolate is worth more than the whole of a small one and costs less to produce". Just ask the lady from Kraft or the man from Cadbury.

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