IN THIS ISSUE Budgeting | SFI and CS | PDRs | Heathfield Show

UPDATE

CLM
NEWSLETTER
SPRING 2024

Now is the moment to drill down into the numbers

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Budgeting is more crucial than ever for the success of farms in an era of volatile weather, input costs and revenues.

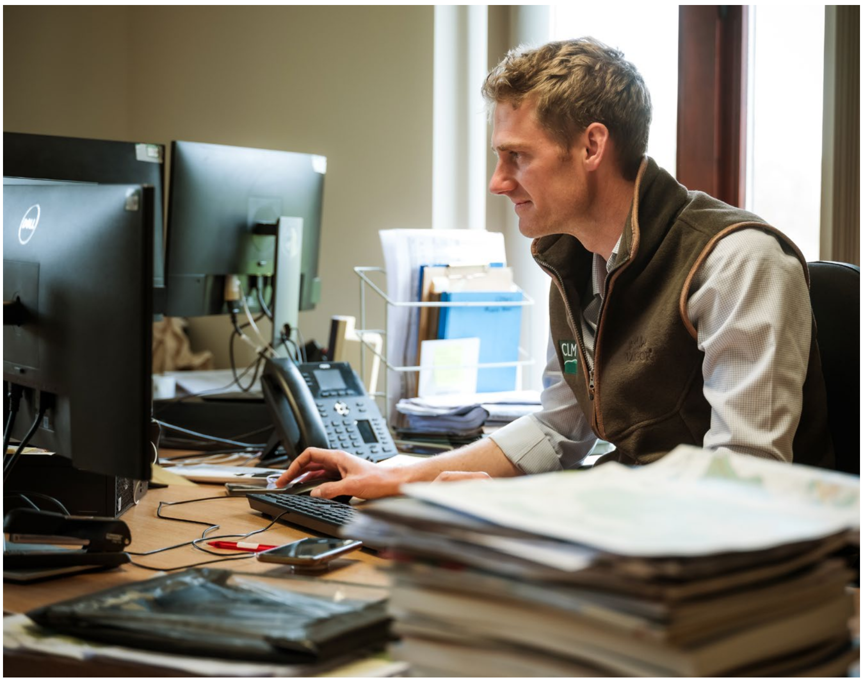
While there are many unknowns and much uncertainty, a decent set of budgets will allow you to maximise income, cut costs and highlight any underperforming enterprises.

Such number-crunching has, however, been pushed down the agenda by many farmers, often squeezed out by day-to-day 'firefighting' in the face of weather extremes. That's understandable, but I've heard a few describe it as little more than guesswork and a surprisingly large number don't do any.

Some farmers also just keep a few 'headline' figures in mind, but that isn't budgeting – budgeting is about understanding how those figures are arrived at and how they can change. The devil is in the detail – trying to get away from 'lump sum' budgeting by attempting to put some substance behind the numbers so, when it comes to reviewing quarterly performance and cashflows, variances can easily be identified, monitored and re-forecasted.

I'm not saying it's easy. We have seen grain markets rising or falling at extreme levels – and the price of inputs varying considerably, but budgeting allows you to run a 'sensitivity analysis' to chart the different outcomes of such changes, helping you to question your business's resilience and risk exposure.

While different enterprises are obviously interlinked in practical terms, it's important to try to 'disconnect' them as far as possible when you're apportioning overhead costs. Some enterprises may be 'masking' the poor financial →



COLIN MILLER ?????????

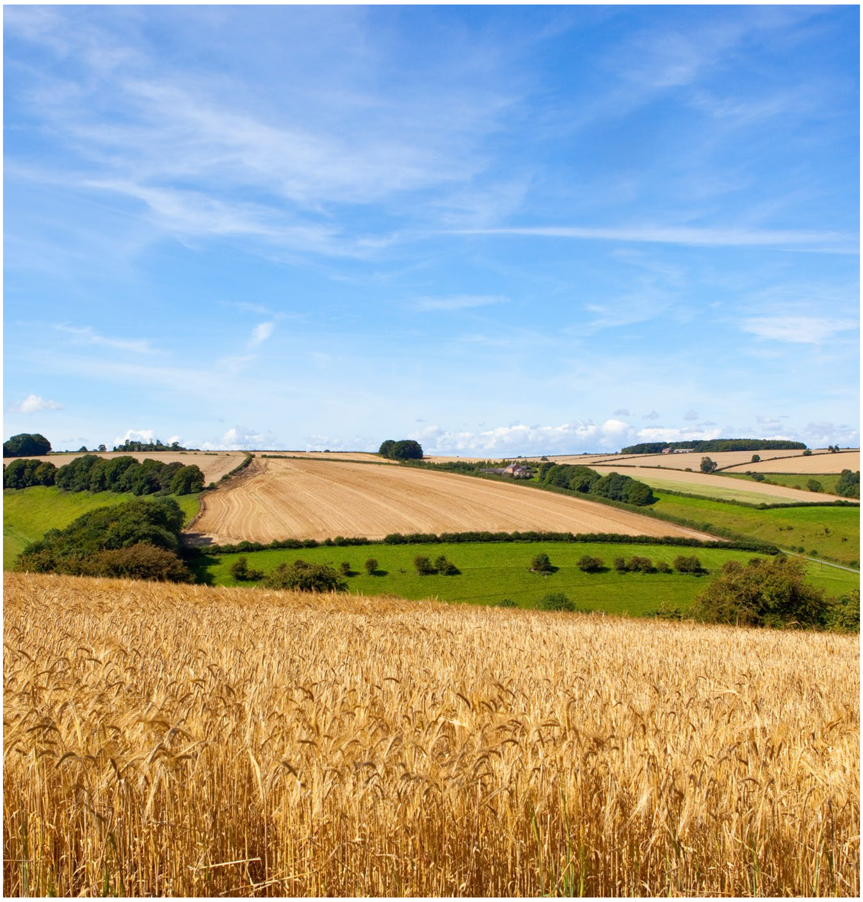
performance of others. Once you drill down into the detail, you might realise one enterprise is actually losing money and being ‘propped up’ by another. You may, of course, choose to carry on with a loss-making enterprise for the non-financial benefits they bring, but at least you’ll know the true picture and can make on-the-ground decisions from an informed perspective.

Cashflow is also a massive issue at present, particularly on smaller farms. As the final tonnes of the 2023 harvest crop are being outloaded, bank accounts are rather depleted, having grown some of the most expensive crops we have ever grown or paid for the most expensive feed for our livestock.

There may be negative implications of being in a SFI or CS scheme because, unlike BPS, you may not have a crop in the ground or in the shed to sell at short notice if you hit a cashflow pinch-point. SFI, with its quarterly payments, can also have positive cashflow implications, however. Meanwhile, both SFI and CS agreements can help de-risk businesses because they represent a ‘guaranteed’ income.

While some of the lost revenue from falling BPS can be clawed back via SFI and CS, for most people the sums available nowhere near equates to the amount lost. But with new payments due to be released in the summer – for direct drilling and nutrient management plans, for example – this could change when we start to consider ‘stacking options’.

The next two years is a key window to really look at what you’re doing and ask questions you might not have asked of yourself before. And you can only do this properly if you’ve got a decent set of budgets in front of you.


EMJAY SMITH - STOCK.ADOBE.COM

Make SFI and CS work for your business

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Fit the Sustainable Farming Incentive (SFI) around your business, rather than your business around SFI.

That’s the advice from CLM director Kevin Jay, with Defra expected to make up to 50 new ‘actions’ available from this summer.

SFI will offer yet more opportunities and the revenue available has become much more attractive, but you still should make decisions based on what’s right for you, your farm and your business now and in the medium- to long-term.

Don’t be tempted to take decisions based on a scheme simply because it offers guaranteed payments for three years, because it’s perfectly possible that the funding priorities or rates will change after that.

Try to identify the aspects of SFI that could work best for you, providing a decent return on some of your poorer ground, especially where this fits with your existing approach and techniques.

Defra recently announced that in future applicants would only be allowed to put a maximum of 25% of their land into six actions which take land out of direct food production. →

These were:
- Flower-rich grass margins (IPM2)
- Pollen and nectar flower mix (AHL1)
- Winter bird food on arable and horticultural land (AHL2)
- Grassy field corners and blocks (AHL3)
- Improved grassland field corners or blocks out of management (IGL1)
- Winter bird food on improved grassland (IGL2)

This announcement attracted a lot of press coverage, but in reality very few farmers would have been submitting an application that would have been over the 25%-mark anyway.

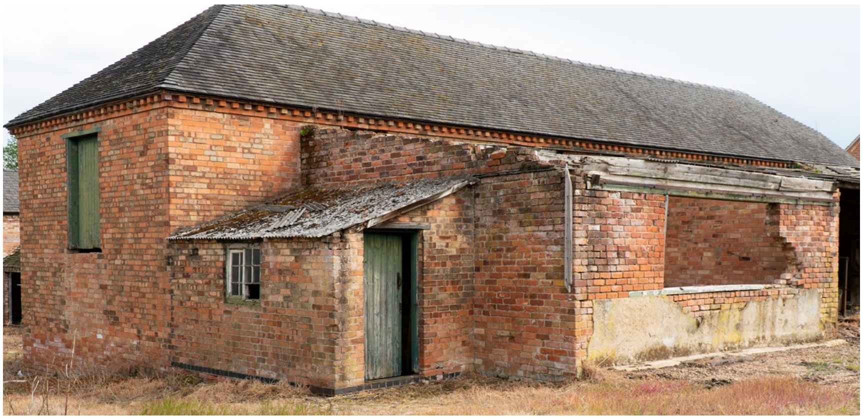
It does, however, highlight, how Defra can change support schemes unexpectedly (and this could especially be the case if there is a change of government), reinforcing the importance of not basing strategic business decisions on them.

The new actions will probably be announced in the summer, but timescales have a habit of slipping where Defra is concerned.

The two actions due to be introduced getting a lot of attention are payments for variable rate nutrient applications (£27/ha) and no-till farming (£73/ha), although there is still a question about what exactly will constitute no-till.

Defra has also said it hopes to make it possible to apply for SFI and CS Mid-Tier through a single online application. That could bring simplicity, but in reality I'm not sure when or if that will happen.

It's also worth noting that the RPA is intending to withdraw SFI applications from its system if they haven't been submitted 60 days after being started, as well as introducing a 10-working-day period from the date of an offer when agreements must be accepted or rejected or they will be withdrawn.



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3 changes to permitted development rights (PDRs)

Recent amendments to PDRs have been broadly welcomed by the farming industry. The changes include:

1 The Class Q PDR now allows the change of use to dwellings of not only buildings on agricultural units but also some former agricultural buildings. Previously, it has been limited to the provision of five dwellings with a maximum floorspace of 865sqm. But this will increase to up to 10 dwellings with a maximum floor space limit of 1,000sqm (each dwelling will be limited to 150sqm each).

2 Class R PDRs now allow for further flexibility when changing agricultural buildings to commercial use, allowing these buildings to be changed to sport and recreational use, as well as general industrial use for processing raw goods produced on the agricultural site. The previous floor space limit of 500sqm has been raised to 1,000sqm.

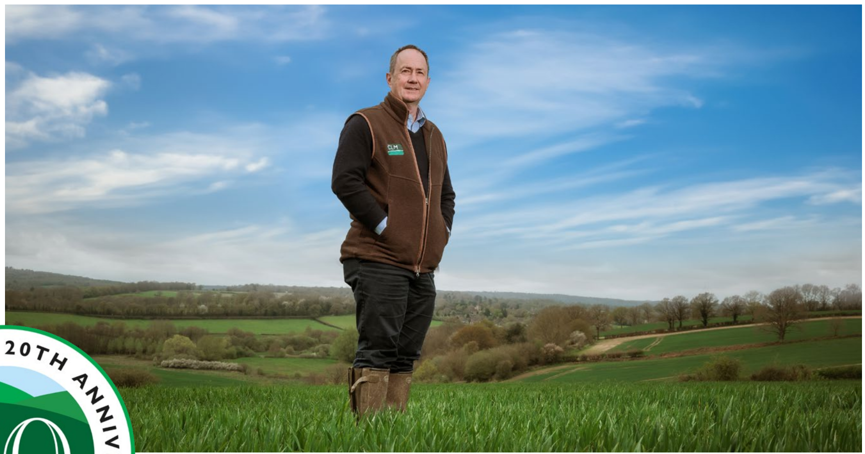
3 For agricultural development, on farms over 5ha, the PDR which currently allows the erection of agricultural buildings up to 1,000sqm has been increased to 1,500sqm. For farms of less than 5ha, the ability to extend existing agricultural buildings will be increased from 20% to 25%.

"All in all, this is a positive outcome and these amendments come at a crucial time for the rural economy, providing welcome opportunities for many rural businesses," according to the CLA. "Nevertheless, the opportunities to further extend these rights, enabling greater farm diversification and investment for the rural economy have been missed."

The CLA also described as "bitterly disappointing" the decision not include the introduction of Class Q into Protected Landscapes, given the need for new homes in these communities. The CLA's 2023 planning survey showed well over half of its members living in Protected Landscapes had buildings they wish to convert but were unable to do so under current planning rules and restrictions.

CLM Associate Director Jonathan Morris says: "Greater scope for the development of farm buildings is good news for creating flexibility and diversification within land-based business, but this could also see landowners exposed to an increased tax liability as a result of hope value, so is a case of giving with one hand and taking with the other. Making sure the structure of businesses and ownership is right is key."

Celebrate with us at Heathfield Show



With 2024 marking CLM's 20th anniversary, we want to say thank you to all our clients, past and present, for trusting us with your business. It's been a privilege to work with you – and we're hoping you can join us on our stand at Heathfield Show on Saturday May 25.

"We have grown over the past two decades from an idea on a Post-it note to a nationally respected business employing more than 20 people," says Managing Director Mark Weaver who co-founded the firm with the late Tim Calcutt as a partnership providing hands-on farm management services.

"Farming and the countryside have been constantly changing over that period," he says. "The weather's changed, the subsidy system has changed, the legislation has changed, the technology has changed and society's expectation of what they want from farmers has changed. I just had a sense back then that farmers and land managers would need constant professional advice in a fast-changing world like this.

"This is a beautiful part of the world to work in," adds Mark. "The South East is a hugely diverse area from an agricultural point of view. It's a very different landscape to what it was two decades ago – we've seen everything from the proliferation of vineyards and the establishment of the South Downs National Park to farmers diversifying and the increasing focus on farming in nature-friendly ways."

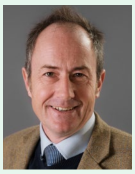
The CLM team now includes land agents, farm business advisers, planners, valuers, environmental specialists, agriculturalists, ecologists and property experts, who boost the bottom line of clients ranging from family farms and landed estates to property developers and international investors.

"Ultimately, though, we want to stay boutique-sized as this ensures we can cultivate the close and long-lasting professional relationships with clients that enable us to offer the best service," says Mark. "If there's one thing I've learnt from 20 years of running a company, it's that businesses are about people, not numbers on a spreadsheet.

"Please call in at our stand at Heathfield Show any time during the day to enjoy a celebratory drink or, if you can join us between 2pm and 4pm, we will be serving English sparkling wine and cake."

CONTACT US

We are a 20-strong team including land agents, business consultants, planners, valuers, environmental experts, agriculturalists, ecologists and property experts. For more information about the topics in this issue, please get in touch with your existing CLM adviser or, for new enquiries, contact one of our directors.



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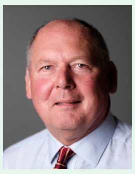

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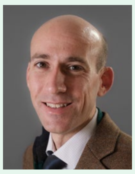

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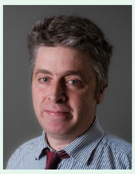

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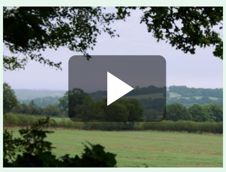

See a two-minute video about CLM and how we can help you.

OUR SERVICES

- Farm Business & Estate Management
- Planning & Development
- Succession
- Land Sales & Acquisition
- Biodiversity Net Gain, Ecology & Natural Capital
- Diversification
- Residential and Commercial Property Letting & Management
- Subsidies & Grants
- Viticulture