

SUCCESSION PLANNING VITAL IN ERA OF 'DRAMATIC' CHANGE

Our industry is populated by SME entrepreneurs who aren't in general afraid of anything, but mention succession – whether through inheritance or retirement – and the tension levels rise.

I recently had the privilege of speaking to a farmer discussion group about succession planning. It's a topic that's close to my heart and this group's honesty about its concerns and the actions planned or taken came from the heart. They were open, direct and clear about changes already made within the generations and the space made for the next one to come alongside. 'Giving young people enough rope to hang themselves, but not the business,' as Tim Calcutt would have said. Father-son/daughter combinations sat at the table, looking forwards together.

These discussions are compounded, of course, by the Agriculture Bill which already appears to be acting as a catalyst for succession change and is already sending shockwaves around the industry – and well it might.

You may have seen this table before, but it makes for stark reading.

Ten years is no time at all in farming. Plus we're only talking about three years before the changes really bite and a mere five before support is halved.

In this context, the opinion of the next generation matters massively. If we are going to change a business, what effect will it have on them?

We came to an uncomfortable pause at one meeting as the baton was passed from father to son. But with admirable clarity, the way forward became suddenly clear. The design of the business for 2028 needs to be directed by the next generation. They are going to have to live it. I will guide and assist, father said, but my time at the helm is coming to a close and these decisions that need taking are big, earthshaking.

LIKELY CHANGES IN BPS, BASED ON CAAV CALCULATIONS

2020 Payment	£15,000	£30,000	£50,000	£80,000	£120,000	£250,000
2021	£14,250	£28,250	£46,500	£70,500	£102,500	£201,500
2022	£12,200	£24,400	£39,900	£60,400	£87,900	£172,700
2023	£10,200	£20,400	£33,200	£50,400	£73,200	£143,900
2024	£8,150	£16,300	£26,600	£40,300	£58,600	£115,100
2025	£6,100	£12,200	£19,900	£30,200	£43,900	£86,400
2026	£4,100	£8,200	£13,300	£20,100	£29,300	£57,600
2027	£2,000	£4,100	£6,700	£10,000	£14,700	£28,800
2028	£0	£0	£0	£0	£0	£0

In this particular case, the business needs to replace £150,000 of income by 2028. It requires big changes and we're in an industry that is already on the move, reacting and doing so swiftly on a large scale. No more tinkering with liveweight gains or yield mapping, we're talking major surgery in many instances.

Across three very different estates I'm working with, management, trust and board meetings have had discussions which will result in swift, wholesale changes. Each enterprise is under increasingly close scrutiny and those that are not showing sufficient return and/or are occupying too many low-yielding assets (land and buildings mainly) are set to be altered quickly or ceased.

The emotional desire to keep cattle or sheep because it's enjoyable is suddenly no longer sufficient reason to maintain the enterprise. The pride of farming x number of hectares because we can and because it makes a small difference to our machinery costs per unit is studied hard and increasingly questioned. Those loss-making/marginal tenancies or contract and share-farming agreements are being terminated or renegotiated hard. These changes are happening now. Those who don't react will suffer the consequences.

And what of the loyal workforce? Those men and women who have been with farms and estates for

years or decades? People are one of our biggest assets and the suggested changes are concentrating minds on re-tasking rather than losing, possibly with changes dovetailed to retirement. Perhaps the workforce is already so slim in number that there are few cuts left to make. Retasking and reskilling is as old as farming – from horses to tractors, from cashbook to Xero, constant evolution when technology and the business requires it.

As I write this, the Prime Minister is on TV, reaffirming her commitment to take this country out of the EU on 29 March 2019. Whether she'll still be Prime Minister then remains to be seen (and who'll be Defra Secretary is anybody's guess). What is clear, however, is that despite these uncertain times many farmers and landowners are increasingly deciding to just get on and make changes within their own businesses.

The farms and estates that make tough choices now – including on succession – will be the ones that survive and prosper.

MARK WEAVER
Managing director, CLM
T: 01892 770339
www.c-l-m.co.uk



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