

A WINNING FORMULA?

Dear Father

You asked that I might reflect on the passing year and also consider what lies ahead. I am relieved, of course, that you are confident we will all be spared!

Physically the farm performed well in 2017. The kind spring, preceded by a favourable autumn, resulted in a good harvest with wheat yields up 20% compared to the five-year average. While our hearts filled with joy at seeing our grain stores overflowing the merchant could only pay us a price marginally above our cost of production. Thankfully the better yield reduced the unit cost and resulted in a welcome profit!

The break crops were a mixed blessing. Beans and oats cost more to grow than they were worth but, with great relief, oilseed rape did well thanks to a 25% price increase. We planted more in August 2017, let's hope the price holds up!

Father, you have always defended traditional techniques but with an uncertain outlook I hope you will agree we must satisfy ourselves that our core farming strategy is sound. That being said I accept

that without the clarity needed from government I do not believe we are yet equipped with the knowledge required to make any significant decisions. We should not be surprised by the ensuing chaos; in 2016 government did not expect the vote leave campaign to succeed and, more recently, the Prime Minister's calamitous election decision weakened our position at the EU negotiating table. What was foggy has become positively murky! It is difficult not to conclude that domestic budgets will be squeezed, hence we are planning for a reduction in subsidy beyond 2019.

Unfortunately, the loss of confidence in Sterling has sparked rising inflation and the Bank of England has already reacted by raising interest rates, perhaps with further rises on the horizon. These factors have combined to increase production costs, we are already looking for savings where possible.

On a much brighter note our let commercial property is performing strongly with rents and occupancy rates remaining high. Likewise, residential lettings have performed well not least because

affordable housing for first-time buyers is in short supply. We do not anticipate any changes next year despite government encouraging more development. Curiously the generally negative position adopted by local planning authorities is helping to keep rents higher than they might otherwise be.

I must thank you father for your support which enabled me to borrow funds for investment in agricultural and non-agricultural activities. The improved farming output and more efficient techniques together with an even stronger let property portfolio gives me great confidence ahead despite uncertainty around the next corner.

Finally, I must comment on your decision one year ago to step back and let me take over the running of the family business. I have not said so before but this came as a surprise. You will know that many of my friends, whose fathers are your friends, are not in the privileged position I now find myself in. A number of my contemporaries must seek approval for virtually every decision they need to take. I know many are frustrated. I must thank you for placing your confidence in me. Hopefully the next two years will prove to be successful for the business. It is my intention that we will follow the Brexit negotiations carefully and try to anticipate how our business should react to both expected and unexpected changes alike. We will maintain focus on cost control and I hope we shall avoid making any bad decisions which could destabilise the future viability of our business.

With your continued support I look forward to meeting the challenges ahead.

Your Apprentice

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