

The BPS three crop rule will be a real game changer for many. It is true that some will be unaffected, most arable farms above 150 hectares already grow three crops. But the new rule stipulates that any farmer growing more than 30 hectares of arable must have three qualifying crops from 1 January 2015. By default this means smaller producers will be most affected.

To help explain the impact we can consider Old Manor Farm at Hartfield. Bill, the owner, farms 300 acres of his own and, for the last ten years, has managed two separate blocks belonging to neighbours, 280 and 100 acres respectively. Over the previous decade Bill has operated a simple system rotating wheat, oilseed rape and beans. To all intents and purposes the 680 acres has been farmed as a single unit with the two smaller blocks managed on a contract farming basis. The arrangement has worked well for all. Bill has organised the cropping to make the workload manageable while the other two owners have been happy to be a part of the larger operation benefitting from significant economies of scale. This "one unit" approach has led to greater efficiency and higher profits. Everyone was happy!

From this autumn however each unit must have three

The three crop penalty



qualifying crops. For the owners the impact is significant. For a start, the 100 acre block will have a headache with grain storage. Previously the 350 tonne store held all of the farm's produce. One crop, no complications. The situation is similar for the two larger blocks where two crops on each unit are accommodated in twin bay stores.

An obvious solution for this, and the myriad of other complications, could be for Bill to rent the two blocks on FBT's and then incorporate all of the land into a single BPS application. This would allow the

status quo to prevail, i.e. no need to change cropping or rotation.

But this does not work for Bill's situation. To start, he would have to fund the additional 380 acres of arable farming. Crop inputs and rent would probably amount to around £300 per acre or £115,000, all to be paid before receiving income from grain sales or the BPS subsidy. Not an attractive option for him.

Secondly, it does not work for either of the other owners. The 100 acre block is owned by a city lawyer who enjoys his own farming enterprise. He does not want to be a landlord with involvement limited to collecting rent. He is also quite keen to keep the land attached to his farmhouse which he hopes will qualify for IHT relief when the time comes.

The owner of the 280 acres has other reasons against the FBT route. He has land with development potential and needs to maintain trading status to benefit from Entrepreneurs relief and a much lower CGT bill when the house builder makes an offer he can't refuse.

Thus, given the circumstances each block will remain separate and must have the required three crops. To get over the grain storage issue the three barns can continue to service the arable output but the owners might have to accept that their wheat may end up in a composite heap. If the combine does not have a weighing mechanism or if a weighbridge is not available then Bill might have to think about investing in suitable technology.

The situation that Bill and his associates find themselves in will be common. Solutions will vary; new FBT's, creating or revising contract farming agreements, reducing the cropped area to move to a two crop requirement, making alternative grain storage arrangements. The list goes on.

The key point is that these issues cannot be ignored. Just what you want in the middle of harvest!



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