Hope for the best – plan for the worst

Whichever outcome you wanted, one fact is undeniable. Those who persuaded the majority to vote Leave had not planned for what they would do immediately following victory. Is it possible they had not really believed they would win?

It is probably fair to say that many expected market volatility immediately after a leave result but I suspect most of us would also have hoped that a "what next" plan would be ready to go if they got what they wanted. Incredibly we now find ourselves having absolutely no idea how or by whom the divorce is going to be negotiated and what settlement might result.

To say the least this is surprising but now that we do know we are leaving there are obvious questions which will cross most farmers minds:

- Will the BPS subsidy continue and at what payment rate? Might capping find its way back on the agenda and could the active farmer qualifications change? Will management rules ease or perhaps be linked more directly to environmental measures? When will it be paid?
- Who will buy UK farm produce? Perhaps nothing will change or could the remaining member states close ranks and punish their former partner? New markets could make up any shortfall.
- What will happen to output prices and input costs? If sterling is weaker, exports should increase in value but imported goods such as machinery and agro-chemicals could be more expensive. Could higher inflation lead to a rise in interest rates?
- Will tighter control of migrant labour mean costs rise because demand outstrips supply?
- What will happen to land values? In recent months prices have weakened partly reflecting poor farming returns but also from caution arising from the uncertain effects of a Brexit vote. It seems unlikely that land prices will crash and perhaps they could even rise if investors seek a safe haven from riskier alternatives. On the other hand, overseas buyers will be forced to spend their cash elsewhere now that the country has confirmed immigrants are not welcome!
- Could economic pressure arising from independence lead government to rethink the tax regime? Inheritance and capital gains tax reliefs have a positive effect on land prices, any negative change could have a significant impact.

With luck the positives of Brexit will far outweigh the negatives, once we understand what those are! Until these become clear, a review of the business strategy should be undertaken without delay. In recent years farm profitability has been under pressure but many have chosen to hold steady hoping tomorrow will be better. But the game changing result of 23 June and the potential impacts discussed here should prompt the question "what can be done quickly to improve profitability, save costs and safeguard the future of the business?"

It is an accepted principle that a farm business's income comes from three sources – produce sales, subsidy and non-farming income. In combination with low interest rates, and backed by strong asset values, this structure has given the confidence to invest in all areas of the business. In particular many have been successful at developing non-farming enterprises and these have often underpinned marginal farming enterprises.

Unless there is evidence that farm gate prices are about to increase significantly, then now really could be the time to consider ruthless remedial action. Does it make sense to continue with a loss making enterprise? What are the alternatives? Is it really necessary to replace that tractor if the current model will do a couple more years? Can that capital be used instead to increase the scale of the potentially more resilient non-farming enterprise?

Of course a counterargument to taking action now is "if in doubt, do nowt". But I prefer "Don't let Brexit be the change that wrecks-it!".

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