

# SOME HAVE ALL THE LUCK!

**Even if we didn't say it out loud a few of us might have recently mused "I hope next year is going to be better than the last!"**

Imagine Bill and John meeting at market in early January. One blames Irish imports for the giveaway price of his prize Sussex cattle while the other says a certain UKIP politician has a lot to answer for. "If the SFP disappears it'll take the shine off my house in Spain, having it in euros is really handy for the mortgage!" But rather than talking themselves into a self-induced New Year depression one remarks: "I love farming, I just wish it paid as well as the other things we do!" Before leaving and after only a cursory reference to the weather they argue about what government should be doing with the significant amounts of tax each will pay at the end of the month.

The rhetoric is familiar, but is the banter a clever disguise for what is going on in similar fantastically successful businesses. Why do some thrive regardless of the wheat, potato, pork or strawberry price?

Decades ago I spent three years studying with other farmers' sons and daughters, some lessons being more important than others! No-one paid much attention to the scale or nature of each other's home farm but if there was any competition regarding size it was over something much more important than acres. The prowess associated with those vital cubic inches separated men from boys and those with the biggest blocks ruled the roost. In hindsight it was of course no coincidence that the smartest cars came from the biggest farms!

Why did some have much bigger businesses

at home than others? Was it simply that Dad, or Grandad, had been lucky?

We live in uncertain times; who wants to predict which sectors will prosper post Brexit? Perhaps most as costly constraints relax? Who knows! But I would bet some have a much better idea than others. Can you really imagine that BMW, one of the world's most profitable manufacturers, is just going to wait and see! A business selling globally will have run models to form a "what happens after the UK leaves the EU" strategy. None of the predictions will be exactly right but the questions and answers thrown up will put them a step ahead of those who simply trust fortune to fate!

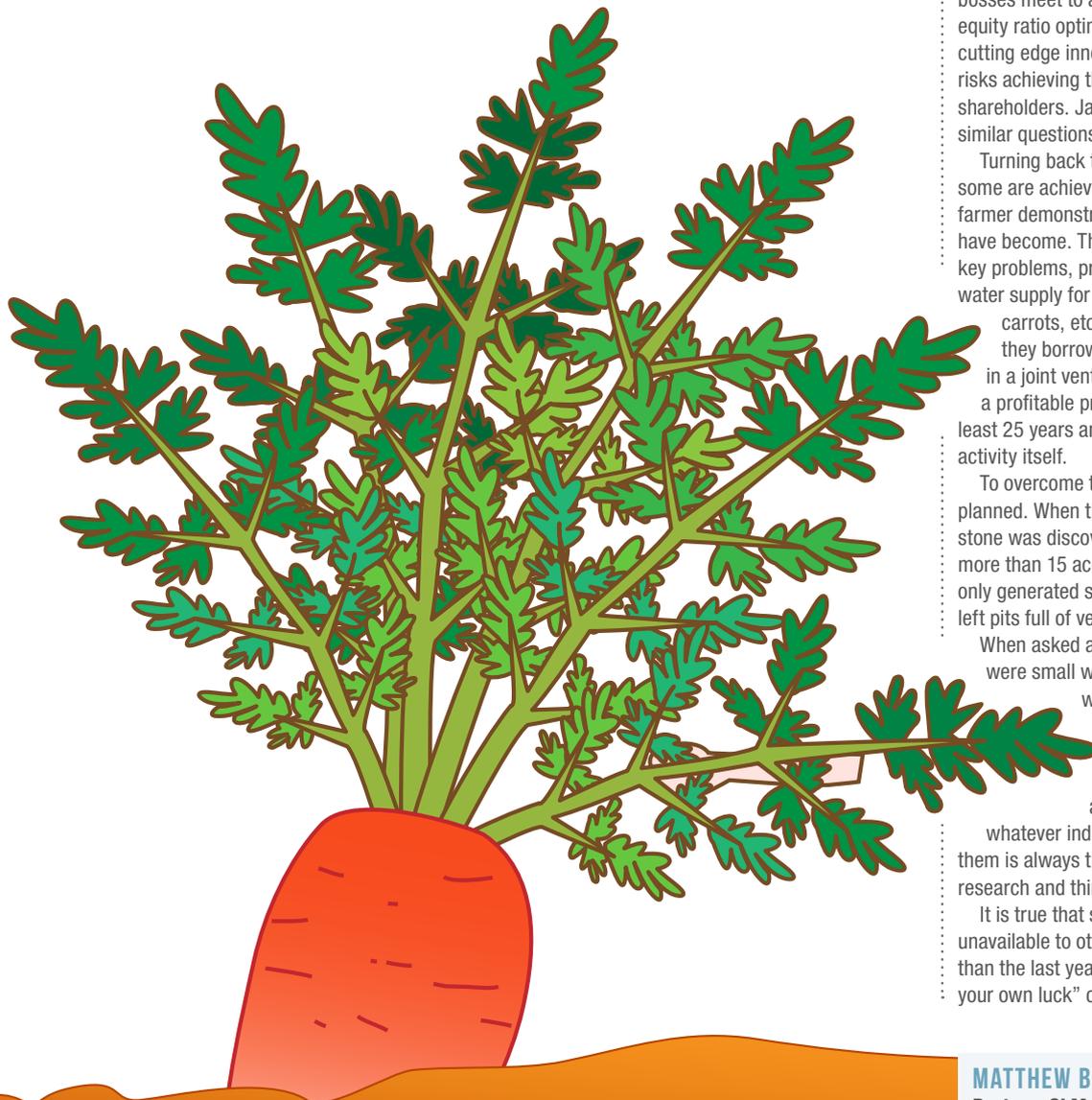
Why is it relevant to compare a German car maker to farming? Just like the most successful agri-businesses you can be sure the Bavarian bosses meet to ask questions like; is the debt equity ratio optimised, does the business harness cutting edge innovation and are the calculated risks achieving the growth demanded by the shareholders. Jargon? Maybe. But these and other similar questions give business focus.

Turning back to farming it is incredible what some are achieving. A visit to a Cambridgeshire farmer demonstrated how entrepreneurial many have become. The root and cereal grower had two key problems, price volatility and an inadequate water supply for potentially valuable potatoes, carrots, etc. To reduce exposure to volatility they borrowed against their land and invested in a joint venture AD operation. This guarantees a profitable price for the digester crops for at least 25 years and a 10% plus return from the AD activity itself.

To overcome the water shortage a reservoir was planned. When they started digging, underlying stone was discovered suitable for construction. Now more than 15 acres has been excavated which not only generated significant cash flow but has also left pits full of vegetable friendly water.

When asked about debt the owner replied: "We were small when we arrived 30 years ago. We wanted to grow and knew we would have to take risks. My children will benefit from the latest twist but they will have to find and exploit the next opportunity, whatever industry that is in. My message to them is always the same, if you have done the research and think it is right go for it."

It is true that some will have opportunities unavailable to others, but if 2017 needs to be better than the last year perhaps that old adage "you make your own luck" could be a good starting point!



**MATTHEW BERRYMAN**

Partner, CLM

T: 07710 765323

E: matthew@c-l-m.co.uk

www.c-l-m.co.uk

