

Let's get straight to the point. If we exit without a deal it is highly likely that farming is going to feel the effect more than most. The table opposite speaks for itself. More than 90% of UK produced crops go to the EU. It is true that imports from the EU are broadly in balance, implying that the loss of the UK market is as serious for the 27 member states as it is for us, but, simplistically, that ignores the fact that each remaining member has only to absorb an extra 55,000 tonnes compared for us to potentially find a new home for circa 1.5 million tonnes of grain.

If it does come to this then a market will be found but is likely to result in lower prices to the UK farmer because of tariffs, greater transport costs, reciprocal trade agreements on other commodities, and so on. Add to this the withdrawal of BPS by 2027 then it is not difficult to see why some commentators have already started nailing down the coffin lid on UK farming while it is still breathing!

In truth the impact on individual farming businesses would vary widely. In regions where farmland is unproductive and isolated it is not difficult to see that the industry could suffer greatly. Even in the rich south most will have to adapt to make up for the potential reduction in revenue.

To put this into context Mr Jones farms 700 acres in the middle of Sussex adjacent to a main road. His family has owned 500 acres for 80 years and the 200 acres next door is rented on an FBT for £160 per acre. The ex-dairy buildings have been converted into units and, together with a paddock full of caravans, generates a rental income in excess of £100k per annum. Both children are at home; Lucy does the bookkeeping and oversees the 20-box livery yard while Josh does most of the farming. They have machinery to do almost everything although hedge cutting is contracted out. They collect BPS across all the land and have a CSS agreement generating £10k p.a. due to expire in 2021. They have a £250k overdraft but are not too concerned about that paying just 2% over base.

On the face of it everything looks great. They make a profit, pay tax and replace one key machine every

# TAKE CONTROL. MAKE DECISIONS

Grain traded between UK and EU and NON-EU countries from July 2018 to June 2019

|                                | Wheat             | Barley         | Oats          | Oilseeds        | All              | %            |
|--------------------------------|-------------------|----------------|---------------|-----------------|------------------|--------------|
| EU Exports                     | 331,187           | 812,620        | 35,198        | 105,392         | 1,284,397        | 94%          |
| Non-EU Exports                 | 27,157            | 50,339         | 1,870         | 34              | 79,400           | 6%           |
| <b>Total Exports</b>           | <b>358,344</b>    | <b>862,958</b> | <b>37,068</b> | <b>105,426</b>  | <b>1,363,796</b> | <b>100%</b>  |
| EU Imports                     | 1,194,397         | 70,125         | 32,092        | 220,986         | 1,517,600        | 70%          |
| Non-EU Imports                 | 663,842           | 93             | 11            | 15              | 663,961          | 30%          |
| <b>Total Imports</b>           | <b>1,858,239</b>  | <b>70,218</b>  | <b>32,102</b> | <b>221,001</b>  | <b>2,181,560</b> | <b>100%</b>  |
| EU Surplus / Deficit           | -863,210          | 742,495        | 3,106         | -115,594        | -233,203         |              |
| Non-EU Surplus / Deficit       | -636,685          | 50,246         | 1,859         | 19              | -584,561         |              |
| <b>Total Surplus / Deficit</b> | <b>-1,499,895</b> | <b>792,740</b> | <b>4,966</b>  | <b>-115,575</b> | <b>-817,764</b>  | Source: AHDB |

year. But a quick analysis by Josh has revealed what they suspected. The combined income from rentals and subsidies is about £170k per annum but the profit hovers around £70k. The family discuss the situation and quickly agree they can no longer accept the loss-making farming activity to be carried by other profitable enterprises.

After several sessions they agree an action plan:

1. All machinery to be sold and the overdraft repaid.
2. A contractor to be used on a stubble to stubble basis saving £50k to £60k per annum.
3. £10k to be saved by purchasing crop inputs as cheaply as possible.
4. Crops to be grown only if a profit is achievable. The use of a contractor makes this "crop or no crop" option possible.
5. The CSS agreement to be replaced upon expiry - income to be maximised.

6. Buildings previously used for machinery storage to be converted into more units and/or stables.
  7. Mr Jones to retire. Josh to get part time job over winter months.
  8. Serve notice on landlord to review FBT rent. Surrender land if a viable rent is unachievable.
- There is no denying that this would be a painful process for any farming business. Most will wait until the end of next month before considering any action but, if the outcome proves unfavorable, a rigorous review in the short term might ensure there is a long term to plan for.

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