

RAISING FARM INCOME

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The diversification at Tulleys Farm

Raising income through
diversification:
Batcheller Monkhouse

Taste of Kent awards

Consider staffing needs:
Whitehead Monckton

Attractive and flexible 'glamping':
Bloomsbury Biddenden

Act now to access grants:
Wilkins Kennedy

Farm buildings will be transformed:
Hobbs Parker/Clague Architects

HOW TO MAKE YOUR DIVERSIFICATION SUCCESSFUL

Farmers have incorporated non-food enterprises into their businesses for years. When "diversification" was first allied to agriculture it coincided with some major events; the introduction of milk quotas in 1984, the BSE crisis in the 90s and the downturn in arable profitability in the late 80s and early 90s. All demanded the need to replace or supplement income previously sufficient from food production alone.

The ever-increasing scale for economic production has also been significant. Dairy farms ceasing milk production, grain handling facilities

unable to keep pace with modern combines, specialist buildings for pigs and poultry becoming outmoded. All have provided potential opportunities to convert buildings for other uses.

Farms not generating meaningful income from diversified enterprises are now the exception rather than the rule. Indeed, for many, where once the non-farming income supplemented production enterprises, these new income streams are often greater than from produce sales and are very often the most profitable enterprises on the holding.

Farming in the South East is perhaps more diversified than any other region in the country. An



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affluent population and a mixture of small, medium and large farms are relevant factors. But as the range of non-farming enterprises increases there is often a clear difference between the successful and those that seem to struggle.

Successful diversifiers have considered and reacted to:

LOCATION/DEMAND

For example, a new equine facility for happy hackers must have access to good quality riding. Similarly, buildings converted into offices will not be popular if they are too far from a main road or have inadequate broadband.

PERSONALITY

Some enterprises require excellent communication skills. For example, thriving farm shops are always managed by people friendly farmers who listen to and understand exactly what their customers are looking for.

PLANNING PERMISSION

Many non-farming enterprises have started without planning consent. However, with increasing on farm development activity it is now difficult to escape the attention of the local authority. Achieving the correct planning consent is essential,

not only for the initial enterprise but for the future. For example, would further expansion leading to increased traffic movements be a barrier?

STAFF

Some enterprises require quite a lot of labour, for example tourism and leisure. If labour is not available locally this might thwart diversification plans.

FINANCE

Some have successfully developed enterprises on tight budgets but as competition increases, the successful will be well funded and able to pay close attention to detail. Buildings converted in to offices with good quality furnishings, heating systems, air conditioning and so on are more likely to remain full than those that require hot water bottles and thermal underwear to survive cold winter days!

BUSINESS STRUCTURE AND TAX

These can be overlooked and be difficult to resolve later. For example, should the new enterprise be set up under the current business name or should a new entity be created for a higher risk venture? Also, converting a building could impact on the eligibility for inheritance tax relief. The accountant should be consulted at an early stage.

VAT AND BUSINESS RATES

Again often overlooked. For example, where VAT has been reclaimed for the cost of converting a building for equine purposes horse owners must be charged VAT for the livery service. This could make the livery cost uncompetitive. Business rates can be crippling. Understanding how they are charged, whether occupied or not, is essential.

GRANTS

It is likely that new grant schemes will be introduced soon. If grant funding is required, applications must be prepared as early as possible, the process can be slow and take months before approval is granted.

In these uncertain times, the potential to develop additional sources of income could become even more important but some sectors are near saturation. At the outset a careful analysis of the opportunity must be conducted to ensure viability. On a positive note, as the needs of the working population changes there is a strong likelihood that more and more business will be conducted locally. Coupled with, for example, the likely increase in domestic tourism, and perhaps other economic changes resulting from Brexit, there is every reason to be optimistic about the future of non-farming enterprises.