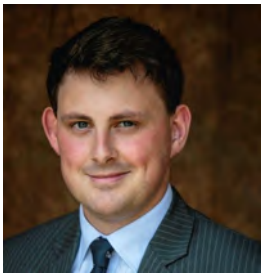
# "UK FARMERS WILL NEED TO BE READY TO ADAPT"



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**Tom has been conducting a 6,250 mile in-depth study tour of farming in New Zealand to become better informed about farming without subsidies**

New Zealand abandoned its subsidy system overnight more than 30 years ago, with many farmers facing a tough time as a result, after its economy suffered when much of its export opportunities to the UK dried up with our entry to the EC.

Tom started his tour during the NZ autumn by taking in the North Island and visiting a variety of farming businesses, both large and small, before moving on to South Island for the start of the winter. That made him probably the only British farmer to appreciate the heatwave on his return but as he warmed himself again he set down his conclusions, summarised here.

"It was striking while touring New Zealand just how much a system without subsidy focuses the mind on the real issue of farming – producing food.

Sometimes in the UK, optimising output is not the farmers' sole goal, and considerations such as tax treatment are equally important.

Wiping out the Capital Gains Tax (CGT) and Inheritance Tax (IHT) allowances that favour farming businesses overnight would cause huge problems and is not something I advocate. For instance, it might slash land prices in the short term causing instability within the industry, especially for those who have secured borrowing against their asset which might then be called in by financiers.

What we have to face up to as an industry is that if a Conservative Government can take the radical decision to wipe out the production subsidies that have been paid for a long time to a large number of farmers likely to have voted for it, then it could be similarly driven to alter the tax system, winning mass popularity, so we have to plan for that eventuality.

One of the arguments put forward by those desperate to enter our industry is that they cannot afford to. Yet in New Zealand there have been many new entrants and I met some who had gone on not only to be successful but also to buy their own farms. It can be done and often I found the smaller farm units, staffed by one man and his dog, to be as successful as the huge agribusinesses in terms of income per acre when I drilled down through the numbers.

UK farmers will need to be ready to adapt. Going forward, share farming or contracting might be the ways to get a foothold and farmers who face a succession issue need to look more carefully at these methods of passing on their farm to someone who they know will cherish and nurture what they have established. Many hate the idea of a forced sale breaking up their unit, but these alternatives give a way out that allows knowledge to be passed on.

The road ahead will be rough and those who will find it toughest are probably those who until now have had a very good living out of farming – the large scale arable enterprises that will not in the future be picking up conservation cash or hill farming top-ups. For them, seeking professional guidance on how best to capitalise on what they have and make it work more efficiently is going to be the answer. An outside eye cast over a business can bring valuable new trains of thought.

Touring New Zealand brought home to me how much we here in the UK love our big sheds and shiny machinery. Out there, farmers tend not to over-capitalise their businesses and it may be that making your existing machinery work hard for longer is

the route to take. If there's a hard Brexit, or one that doesn't deliver tariff-free machinery to our docksides, the large scale imports on which we rely may no longer be affordable. Frugality may be enforced through necessity.

Going forward, the desire from politicians to have higher standards and traceability could also work in our favour. The recent example of Microplasmabovis in New Zealand shows what can happen when standards are not so high, with a huge livestock cull that hit farm budgets hard seen as the answer by their Government.

Tackled the right way, Brexit is a huge opportunity. Imaginative agreements, collaborative ownerships, and the chance to negotiate international trade deals should bring benefits. But with pressure on making farming businesses viable it may threaten our investment in the countryside which in turn may have negative effects on the rural economy as environmental and landscape schemes see less uptake. This could be to the detriment of tourism, a major driver of our national economy, which could also be hit if exchange rates become less favourable with Europe, one of our major sources of visitors who in turn have funded many farm diversification schemes over the years.

The message is a tough one but it's essential not to sugar coat what could be a bitter pill for the industry. Tough times need tough thinking!"

My five point plan for ahead of Brexit:

1 Review the **strengths and weaknesses** of your business and its assets by undertaking a formal review (perhaps with your professional advisors)

2 **Understand your figures**, especially your "needs" as opposed to "wants", and your cost of production, in tandem with sensitivity analysis of your enterprises

3 Be **imaginative** and think laterally in terms of collaborations, additional enterprises, and generating off-farm income

4 Be **flexible** and ready to take opportunities when presented that assist you in coping with a drop in farm income. Challenge traditional thinking and challenge traditional thinkers

5 Try to **add value** to your product, perhaps through a niche or specialist market