

# PRESS RELEASE

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## FARM PAYMENTS' ARRIVAL SHOULD PROMPT FINANCIAL HEALTH CHECK



The arrival in many farmers' bank accounts this week of their Basic Payment under CAP should prompt them to take a look at their farm's future.

With Brexit negotiations still acrimonious in both London and Brussels and the outcome uncertain for the agriculture industry, farmers and landowners are being advised to "stress test" their business to help come through the next few years relatively unscathed.

"It always feels good to see the money in the bank because to many farmers it means the difference between profit and loss," says Tom Bishop, an associate partner with BCM Rural Property Specialists in Winchester who is also a partner in a farming business operating across 6,000 acres in southern England and a further 2,000 acres in Wales.

"But it's a good time to for a reality check to examine how the business will fare in the months and years to come as farming income from EU or State payments is diminished. Defra Secretary Michael Gove is making no secret of his desire to see any future payments system based around environmental benefits rather than land ownership or farm output, with others promoting means testing or capping of the payments. For many farmers that will mean a significant drop in income that will need to be found elsewhere.

"BCM has now introduced a stress test for its clients and the results don't always make pleasant reading. However, there is still time to analyse what strategies can be introduced to lessen the impact and, while the current payment system persists to provide a financial cushion, the ability to implement changes to the whole farming system or by diversifying into alternative activities.

"Our test develops a likely scenario for each client business given our own view of Brexit and new trade deals which could result in the import of food produced to lesser standards and at lower costs.

"We then run that test against existing farm and estate performance and advise clients of ways in which we feel their operation can change (and in many cases it's essential) to cope in the future rural world. This advice includes consideration of increasing income from diversification and development of assets, reorganising current enterprises and assets to achieve optimal performance, and ensuring there is a solid fiscal base moving forward, including reviewing asset finance and gearing.



“Failing to address what may lie ahead could leave farms struggling to recover from the immediate impact while those who have planned will have a way to work through and come out the other side looking forward with positivity.

“Where we do this for clients the test often proves the catalyst for much wider discussions of the overall property asset, the family structure, and the strategy moving forward, which is often very positive and brings into play generational and succession issues.”

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