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Briefing note

Agriculture Bill

Implications for farmers and land managers

Introduction

The Agriculture Bill heralds a new era for the rural economy, challenging everything from tenancy arrangements to supply contracts. The Bill itself is simply enabling legislation, with much of the detail still to be determined. Certainty for the industry is needed as soon as possible, as currently we know little more than that the Basic Payment Scheme will have gone completely by 2027. When so much else remains unknown, the old adage of "things you can worry about and things you can control" rings true. 2019 in many ways marks nothing more than a moment in time to review business strategy and take sensible steps to enhance the resilience of farming businesses for the future. In light of this, our advice is that all farming businesses take the time to review these five key areas:

Markets

Diets are changing, with red meat consumption under pressure and novel foods on the rise, is it time to explore new cropping ideas, emerging food trends or export markets? Having a clear idea of what the end customer wants is essential. Collaborating with other farmers through Producer Organisations (POs) reduces risk and enables investment in R&D and marketing. Following the Agriculture Bill, farmers from a wider range of sectors are likely to be encouraged to create and benefit from POs.

Risk

Farming is seen as an inherently volatile and risky business, but practical steps can be taken to mitigate the market, weather and trading risk. Measuring performance against other businesses through benchmarking is a crucial element of evaluating risk, and should be used to identify performance issues across the business and steps that can be taken. Management changes could include exploring contracts and futures markets options, investing in long term pooled or on-farm crop storage, improving soil organic matter or drainage to reduce water stress, or working more closely with customers and neighbours to add value or reduce overheads.

Costs

Assuming BPS is worth £80/acre, will it be reasonable to expect a £40/acre decrease in costs and a £40/acre increase in prices over the Transition Phase? Now is the time to work with supply chains to explore this. Reducing overheads is one element: could an investment in farm infrastructure reduce labour and machinery costs? Tackling operating costs is another: would a focus on margin over yield deliver a better net return on investment for example? Honest accounting and performance analysis for time and costs is the first step in developing alternative cost saving strategies.

Diversification

Diversification as a business strategy needs to be approached with caution due to the demands that a new enterprise can place on existing cash flow and management time. However, in a post-BPS world, it is time to ask again whether there is a diversification project that could increase business resilience. An empty barn that could be converted, a strategic site next to a main road, an enterprise that you've thought about but not found the time to develop? Savills Rural Research finds that well thought out and run diversified businesses continue to increase their overall returns, countering market volatility issues.

Innovation

Innovation is simply finding solutions to problems, and is a key element in turning problems into opportunities. Whatever the problem within the business, it can also be an opportunity to make a change. If succession is the problem, the next five years represents the best time to explore alternative options for the future of the business. If margin is an issue, perhaps invest in technology that allows more precise application of valuable inputs. This is a key time to consider how investment in innovation could enhance overall business resilience.

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