

SMILES GOLDIE TURNER AND SMILES GOLDIE

# RURAL NEWSLETTER



CHARTERED ACCOUNTANTS

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## LONG-TERM STRATEGY NEEDED FOR UK FOOD SECURITY

NFU President warns that the UK's approach to food security needs to be given higher priority

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# WELCOME

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Welcome to our rural newsletter, bringing you news from our firm and updates on tax, finance and other issues affecting farming and rural enterprises.

Smailes Goldie Turner is the specialist agricultural team running alongside Smailes Goldie Chartered Accountants' own agricultural specialists. We work with a wide range of farming and other agricultural businesses, with a focus on providing practical, proactive advice and support to help clients achieve their full potential.

For more information on any of the issues covered in this newsletter, please contact us.



## FARMING MINISTER HITS OUT AT CAP

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**George Eustice, the Farming Minister, has hit out at the EU's Common Agricultural Policy (CAP), saying it is "propping up" bad farmers.**

Speaking at a Westminster inquiry into future food shortages, Mr Eustice said that unprofitable farmers relying on EU hand-outs were preventing new blood joining the industry and should be helped to "get out of the industry."

The Tory MP for Camborne and Redruth said that the CAP had a "distorting" effect by curbing growth among successful firms and keeping bad ones in business.

He told the Environment, Food and Rural Affairs select committee: "Everyone who looks at this says the same thing.

"Part of getting new people into the industry is helping some of them retire and get out of the industry.

"We have a fixed amount of land, and if you want to create opportunities for new people – who want to come in with fresh ideas and fresh thinking and be more productive – we need to make it easier for some of those to retire.

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*"If you have got unprofitable, less productive farms and they are basically being propped up by the single farm payment – which is a straight subsidy payment – then you are making it harder for new entrants to get in."*

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Mr Eustice made it clear that Government wants to eventually



scrap all direct farm payments. But the coalition Government scaled-back proposals to give a bigger share of the £20 billion subsidy received by British farmers over the next seven years to the environmental "pillar 2" budget.

He added: "We think CAP is a distorting policy. It potentially prevents larger businesses from expanding. And it can keep some of the less productive farms

going when actually they should be retiring and allowing more productive businesses a go. So we do think it can affect farmyard activity."

*At Smailes Goldie Turner our farming experts can work with you to become profitable or maintain profitability. If you are thinking of retiring, we can also assist with succession planning or business exit management.*

# LONG-TERM STRATEGY NEEDED FOR UK FOOD SECURITY

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The President of the NFU has warned that the UK's approach to food security needs to be given a higher priority.

Speaking at the NFU Conference earlier this year, Peter Kendall said the UK urgently needs a long-term strategy to ensure its food security and boost the global competitiveness of UK food and farming.

Mr Kendall said that while many other countries had developed impressive food security strategies, the UK Government's efforts were unimpressive.

He said:

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*“Well, we did have the Green Food Plan – under-ambitious, under-resourced and, if you'll forgive my bluntness, completely under the radar.”*

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By contrast, Mr Kendall cited the Irish Government which has produced an ambitious Food Harvest 2020 plan. According to Mr Kendall, Irish food and farming is now reaping the benefits of this plan.

He said: “In three years, they've already seen primary production up 25% and exports up 13%. Simon Coveney, the Irish agriculture minister, talks about being on the brink of a golden era for agriculture in Ireland.”

Mr Kendall also highlighted how the French Government was focused on driving food and drink exports, while the Australian Government had recently published a white paper on agriculture competitiveness. “They've understood that farming is part of the answer, not a drag on the economy,” he said.

Mr Kendall urged the Treasury to recognise the role that farming plays in the economy, and how the sector can play a significant role in the UK's economic recovery. He said that food and drink was the UK's fourth largest exporting sector, and agriculture had held up very well during the recession, with agricultural output increasing from £16 billion in 2007 to £24 billion in 2012.

He added:

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*“How much more could we do if we pulled all this together into a proper plan, with quarterly monitoring and everybody in the industry pitching in.”*

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Also speaking at the conference was Defra minister George Eustace who said that global demand for “westernised” food and drink products was rising, and the Government was committed to helping British producers take advantage of the trend by exporting more.





# BUSINESS EXIT STRATEGY AND SUCCESSION PLANNING

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**If you are a farmer or grower thinking of retiring, it is crucial to put in place exit strategies and succession planning to ensure the future health of the business.**

As the owner of a business naturally you are busy, but failing to plan for the future could lead to the worst case scenario of a sell-off or closure.

There is a lot to consider when transferring ownership and management of a farm or agricultural business to the next generation.

Is the next generation ready and willing to take up the reins, is there a choice between family member and/or managers, is running the business the right career choice for them and will they live up to the weight of expectation placed upon them?

A succession plan can enable individuals to address all the above issues, prepare family members or other staff and remove all doubt and assumptions when the time comes to transfer ownership in retirement.

Setting aside sufficient time to think and formulate an effective succession plan is the key to success.

A timeframe should be planned and adhered to, and options assessed to ensure the success of the business. A succession plan, however is no use, if it only exists in your mind – it needs to be formal and in writing.

In its simplest form, succession planning is nothing more than getting managers or owners of a business to use a systematic process to identify potential successors.

Can you identify who would take over the business in your retirement? Will it be a family member, or another employee? Will you sell your farm or business to another farmer or company?

*At Smailes Goldie Turner, we can assist you in making the right choices about exiting the business and planning for your retirement. For more information, please contact us.*

# EUROPEAN COMMISSION GLASSHOUSE LEGISLATION THREATENS GROWERS

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**Farmers are being consulted over new European Commission (EC) legislation which could threaten the livelihood of glasshouse growers.**

The EC have proposed the Medium Combustion Plant (MCP) Directive as part of its Clean Air Policy Programme to reduce emissions and will apply to combustion plants of 1MW to 50MW.

Farming organisations, including the NFU, are concerned that growers who heat glasshouses using biomass boilers could be affected.

The farmers union believes that the provisions of the legislation could force some growers to spend money on abatement systems or replacement boilers.

The directive is currently in the early stages of the EU legislative process, but the NFU is looking for comments from growers to submit as part of the consultation process.

Anna Simpson, environment policy adviser at the NFU, said: "There is plenty of opportunity to influence its scope. However, we need to gather evidence on this topic to provide a strong argument for any proposed changes."



## ANNUAL INVESTMENT ALLOWANCE DOUBLED

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**The Government announced that the Annual Investment Allowance (AIA), which allows businesses to invest in plant and machinery for tax benefits, has doubled from £250,000 to £500,000 until the end of 2015.**

The announcement was made in the Chancellor's Budget and scraps the planned cut in the AIA to £25,000 in 2015.

The AIA was initially cut by the Government from £100,000 to £25,000, before it was increased to £250,000 in 2012.

AIA is a kind of capital allowance, which offers tax relief at 100 per cent on qualifying expenditure in the year of purchase.

Farmers and agricultural businesses can now deduct up to £500,000 from taxable profits. This pro-rata's for

short or long-term periods, and also for periods that span the operative dates and rates.

In response to the announcement, the NFU has urged the Government to make the move permanent.

Sean McCann, from the NFU, said: "The announcement should encourage new investment in farm machinery and plant boosting farm incomes and helping create jobs in the rural economy.

"To help farmers make long-term plans for business development we urge the Chancellor to make this increase permanent in the next Budget."

Other measures announced in the Budget that affect farmers include double lending for export business to £3 billion and cuts to interest rates on lending by a third to exporters, and an additional £140 million funding to aid Britain's flood defence.

Measures also potentially relevant to farmers include a cut in corporation tax to 21 per cent and a freeze on alcohol duty paid on cider.

*If you are planning to invest in plant or machinery, speak to our experts at Smales Goldie Turner who can help you mitigate your tax liabilities by making full use of capital allowances.*

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# EUROPEAN COMMISSION TO TIGHTEN ORGANIC RULES

**Leaked European Commission (EC) proposals could put at risk the future of UK organic farmers.**

According to proposed regulations from Brussels, farmers could be prohibited from growing conventional and organic produce at the same time.

The draft plans leaked to a German magazine suggest the EC plans to tighten the rules on organic production, forcing farmers to go 100% organic.

Under current rules, farmers are able to grow conventional produce alongside organic produce, if they are able to show it is necessary to keep their businesses economically viable.

The EC say the new rules are designed to prevent fraud and cross-contamination, but farmers groups have warned that the new rules could put businesses at risk due to fluctuations in the demand for organic food.

Tom Lander, the NFU's food chain adviser, said: "It will also discourage farmers from converting to organic, as the new regulations might mean farmers are required to convert their entire farm at once rather than parcel by parcel.

"This would be more expensive and doesn't allow those thinking about



organic conversion to try it out first to see if it is for them."

Meanwhile, the UK's largest organic certification scheme, the Soil Association, said that while an estimated 15% of its members grew both organic and conventional crops, any increased measures to safeguard organic food would be welcomed.

Rob Sexton, its head of certification, said it would be difficult to comment on the plans as they have yet to be formally released, however he stressed the UK organic sector was

already "rigorously inspected and regulated." He added: "Should the EU commission take further steps to ensure such high standards across EU member states and beyond, this would only further maintain the integrity of organic food."

The EC said it is still in the process of preparing the draft regulations, while Roger Waite, the EC's spokesman on agriculture and rural development, said the proposed new regulations would first need to be examined by the European Parliament and the Council of Ministers.

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