



Welcome to Focus On... Agriculture and Rural Affairs, our special bulletin that looks at interesting topical issues and developments in the sector.

In this edition, we report one Brexit advisor's suggestion for funding environmentally beneficial contracts through farm payments, and include details of the 2016 Basic Payment Scheme rate. We also consider how farmers and rural businesses preparing for the potential impact of Brexit on their funding can take advantage of interest rates to spend and borrow, while also cutting their costs. We close the bulletin with a Spotlight on Associate Rachel Wright.

If you would like to discuss any aspect of our specialist accountancy and business advisory services for farmers and rural businesses, please contact Richard Grayson, Managing Director at Nicholsons, at [richard.grayson@nicholsonsca.co.uk](mailto:richard.grayson@nicholsonsca.co.uk) or phone 01522 815100. Alternatively, please contact Rachel Wright, Associate, at [rachel.wright@nicholsonsca.co.uk](mailto:rachel.wright@nicholsonsca.co.uk) or phone 01522 815100.

## Post-Brexit public contracts may benefit farmers

The government is considering whether to direct farm payments towards individual projects that will deliver defined and specific environmental benefits, following a Brexit advisor's recent suggestion.

In a first clear indication of the direction of future subsidies post-Brexit, Dieter Helm, Professor of Economics at Oxford University, said farmers would have to bid for contracts to undertake environmental work.

Professor Helm is chairman of the Natural Capital Committee (NCC) – an organisation established in 2012

to provide expert, independent advice to government on how natural assets can best be utilised.

He has suggested that public money could be offered to parks' authorities to enable them to submit tenders for public works, such as repairing dry stone walls and cutting hedges.

He said: "The public good will be defined and the contracts will specify what needs to be done. It is the approach taken for many other public good projects paid for by public monies."

He believes that governmental bodies could be created, which would have the power to 'allocate their budgets accordingly', depending on public services being identified as priorities at the relevant time.

"Contractors, including farmers, could bid for these contracts, and then the income goes with them," said Professor Helm.

"Where farmers are well placed to improve the natural environment, they will gain the specific contracts."

Professor Helm believes that these projects could be financed using farm subsidies and other sources, and states that the National Farmers Union's post-Brexit agricultural policy was built on a 'very weak argument' regarding increased food security and self-sufficiency.

He said: "What the NFU fails to provide is a reasoned case as to why it is in the public interest to maximise production and, in the process, reduce external food dependency.

"This is combined with the lack of a coherent plan on achieving this objective, whose desirability is questionable."

Professor Helm rejected calls for subsidies to be directed away from Pillar One direct payments and towards Pillar Two environmental payments instead.

He added: "Simply expanding the environmental pot would not necessarily produce the desired impacts."

He concluded by stressing that the views on the subject were his own, based upon personal experience, rather than being representative of the NCC's opinions.



# Date for your diary – Farming Forum – Wednesday 15th February 2017

Nicholsons is working in partnership with Perkins George Mawer & Co and invite you to join us at our Farming Forum, which will be held in the Brocklesby Suite at Market Rasen Racecourse, Legsby Road, Market Rasen, Lincolnshire, LN8 3EA.

Our keynote speaker will be Graham Redman, a Partner at The Anderson Centre LLP. Graham will be followed by other experts in the field of agriculture – watch this space for further details.

Doors will be open from 9.00am; the Forum will start promptly at 9.45am. During the morning there will be a coffee break and time for networking. Lunch will be served at 12.45pm

For further details please contact Linda Clark on 01522 815100 or email [linda.clark@nicholsonscs.co.uk](mailto:linda.clark@nicholsonscs.co.uk)

## The 2016 Basic Payment Scheme rate

The Euro exchange rate for calculating Basic Payment Scheme (BPS) payments in 2016 will be € = £0.85228, applicable from December 2016.

BPS payments for England are set in Euros, then converted into sterling, using an average of the exchange rates that the European Central Bank sets in September.

### What does this mean?

The 2016 rate is the highest since 2010 – which is good news for UK farmers.

The fall in the pound means BPS payments are expected to be worth 16.54 per cent more this year, compared to 2015 payments. This will affect the 16,500 UK farmers who opted to receive their 2016 BPS payments in sterling.

The table below allows a calculation of the amount that will be paid for 2016, compared to payments for 2015.

The BPS is the biggest of the rural grants and payments

the European Union makes to help the farming industry.

Farmers with at least five hectares of agricultural land and five 'entitlements' can apply once a year – usually in May – for BPS, with payments beginning in December.

BPS payment in 2015	New BPS payment in 2016	Notional extra BPS
£1,000	£1,165	£165
£5,000	£5,827	£827
£10,000	£11,654	£1,654
£15,000	£17,481	£2,481
£20,000	£23,308	£3,308
£25,000	£29,135	£4,135

## Borrowing and spending can work alongside ARA Brexit cost cutting plans

Uncertainty over post-Brexit EU funding for the ARA community is causing farmers and rural businesses to start seeking cost-effective ways to protect income, despite recent Treasury assurances that all existing commitments will be met.

Increased milk and food production is likely to create a market oversupply, causing counter-productive farmgate price drops.

An immediate, comprehensive cost review and reduction identification exercise must be a priority, but

the current ultra-low interest rates offer opportunities for advantageous borrowing and prudent spending.

A new loan at a lower rate may offer savings, and it may be worth seeking to fix the interest rate on existing borrowing to achieve the same result.

Negotiation with bank relationship managers and other lenders in the current financial climate may create long term cash flow and capital benefits.

Investment in assets such as farm machinery, in order

to reduce unit production costs and increase profit returns, is also a viable option, as finance costs will be low and some suppliers are likely to be seeking to sell stock that has been difficult to offload. Shopping around will almost certainly yield bargains, but lending arrangements must always be properly costed and their impact on cash flow, tax benefit and profit must be completely clear before any agreements are signed.

Nicholsons' ARA team is keen to help existing and new clients tackle Brexit's challenges. Please contact us to find out what we can do to help you.

## Employee focus – Rachel Wright, Associate



Rachel has recently joined Nicholsons as an Associate; bringing a wealth of agricultural experience to the firm. After more than 25 years living on a farm, Rachel has spent many hours working on the farm and experienced first-hand the trials that farmers face today.

Having trained as a Chartered Accountant in the heart of the vegetable producing area of the county, she has experience ranging from the accounts of the smallest family farmers to the audit and accounts preparation of some of the largest farming businesses in the county.

In addition to the experience gained in practice, Rachel has also overseen the finances of a medium-sized family run agricultural business in Lincolnshire, working in the farm office and overseeing the accounts department.

Rachel has experience of the arable, vegetable and livestock sectors, combined with the elements of diversification that are now becoming a more significant part of everyday farming businesses.

Supporting the evolution and helping to maintain the success of the agricultural sector in the county is very important to Rachel; together with a keen interest in tax planning, Rachel will complement the existing agriculture team at Nicholsons.

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