



Farms and Landed Estates Quarterly Review Spring 2023

Introduction

by Steven Rudd, Head of Farms and Landed Estates

Welcome to the spring edition of our Farming Review.

Although termed the spring edition, at the time of writing, the air temperature doesn't seem to have warmed up too much! Yet again, we've experienced some weather extremes; the driest February for 30 years, followed by the wettest March for 40 years. The National Drought Group (NDG) recently reported that East Anglia is one of two areas in the UK that are, technically, still in drought. These extremes highlight the challenges faced for the 2023 harvest, especially following some delayed autumn operations after the long, dry summer last year.

Cropping selections have been interesting, with a reported increase in oilseed rape (maybe price-driven from last year?). Let's hope pests and diseases can be kept at bay. The other traditional break crop in East Anglia, sugar beet, has seen some better contract prices, although with delayed drilling, let's hope it can make it up for the rest of the season.

The livestock industry still has challenges, with higher feed costs and, equally, consumer demand is under pressure for those buying premium red meats. Milk price has dropped back slightly for the first time in two years. Bird flu restrictions have also had a big impact on the poultry sector.

The whole economy is facing continued double-digit inflation – much driven off supply chain and energy costs – with the agricultural sector suffering perhaps more than most. Fertiliser prices appear to have come down from last year and even from the opening position, which is encouraging. However, I expect timing of purchases and, for that matter, crop sales for those that locked in early, will determine whether 2023 will be a "good year" financially.

As ever, planning and forecasting will be important for most businesses, especially around cashflow. Banks don't seem to be as easy to deal with, and interest rate rises to try to curb inflation, without too much obvious success, have no doubt taken a slice off the bottom line. Those with significant debt and sizeable overdrafts may find the annual renewal conversations more difficult than before. The BPS receipts will see further cuts, adding to cashflow pressures. If you need help to support these discussions with the bank, the team here can certainly help.

More clarity over environmental support subsidies is still needed. More schemes and information are being released, but it's hard to plan when the long-term position remains unclear. The consultation on the taxation of income streams and the inheritance tax impact are covered



on page 2, and we would welcome your input to help us shape a response on the Government's consultation.

As ever, a lot of our conversations are around business succession and passing on farming businesses to the next generation. With a fairly good capital tax regime currently, for passing on assets in lifetime, is now the time to review your estate and succession plans? We have tools to help you with this decision-making process and would be happy to talk you through these.

We continue to help our clients with ongoing legislation changes for businesses; basis period reform for clients with accounting year ends that don't tie in with the tax year, and some opportunities to plan around this. In addition, although Making Tax Digital has been delayed until 2026, part of that digitalisation of accounting records is also about having improved data on which to make better decisions.

We look forward to 2023 being an exciting year – let's hope the weather and prices play ball!

New Partner, Laurie Hill, brings first-hand experience to the agriculture team

Laurie Hill, who joined the firm in 2019, has been appointed as new Partner in the Farms and Landed Estates team.

With his continued involvement in the family farm, based at Bradenham, in Norfolk, Laurie has the advantage of seeing his role from the client's point of view.

"Because I'm a farmer outside the normal day job as an accountant, I have a view from both sides of the fence," he explained. "I approach my work in the way that I'd like to be approached as a client. Good communication, trust and honesty are the most important things."

Laurie started his training at a national firm, always with a keen eye for agricultural businesses. His experience there included a year working on secondment in New Zealand.

"I was always going to specialise in agriculture. I wanted to use my experience of working in that sector. You get to know your clients well, and become a trusted advisor in a family business, so it feels like a very privileged position," Laurie said.

Despite facing challenges, Laurie believes the farming sector will remain strong into the future, as businesses continue to adapt and evolve.

"There are significant pressures in farming. Prices of outputs have improved but we're dealing with agricultural inflation of around 24%, with fertilisers and sprays up to a greater extent. These continual increases in costs can't be sustained for long. Cash flow is key for our clients for the next 12 to 18 months with input prices where they are," he said.

"The advisory side of the role is growing all the time, and we have to be proactive in this. I've been fortunate to have worked with fantastic clients over the years and I'll be continuing these relationships, as well as forging new ones, as we look towards growth for the firm."

Steve Rudd, lead Partner on the Farms and Landed Estates team, added, "It's fantastic that we can welcome Laurie to join the partnership. He brings a huge amount of practical hands-on experience and knowledge, coming from a Norfolk farming family. The whole team continues to grow, and Laurie secures us more resource to help farming families throughout the region."





The future of farming and inheritance tax – your country needs you!

The Spring Budget 2023, in March, included a consultation and call for evidence on the 'Taxation of environmental land management and ecosystem service markets'. The UK agricultural sector is facing the biggest change in a generation, with the UK Government looking to change the way it works with farm businesses, food production and the environment.

It's pleasing to see that food is still the primary purpose of farming 'and always will be'. The consultation also says that 'farming and nature must go hand in hand for farming and food production to be resilient and sustainable over the long term.' Points that the consultation wants to clarify are (1) the impact and effect that 'ecosystem service payments (ESP)' are having and will have on businesses, and (2) the taxation implications, especially inheritance tax (IHT), and how existing reliefs (Agricultural Property Relief (APR) and Business Property Relief (BPR)) sit alongside (or not, as the case may be) these businesses.

Land that has been taken out of agricultural production over an extended period, such as for environmental schemes, is unlikely to qualify for APR for IHT purposes. Businesses are concerned about the existing scope of APR being a potential barrier to making long-term land use changes from agricultural

to environmental use. Farming businesses can benefit from both APR and BPR under the existing rules if the overall business isn't one of wholly or mainly making or holding investments.

How can you help?

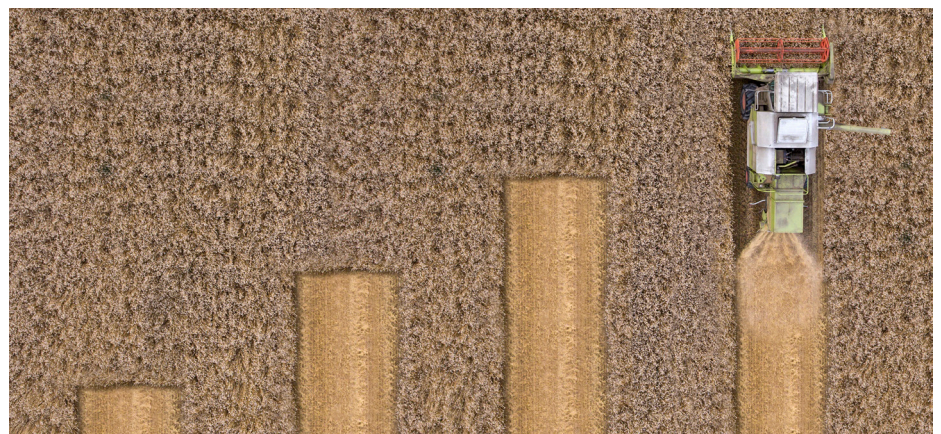
We're drafting a response to the consultation paper, which closes on 9 June 2023, and would really like to hear from you. Our aim is to collate both your first-hand as well as anecdotal evidence to include in our representation. Essentially, the consultation will look to strike a balance between food production and environmental schemes and clarify the position for IHT purposes (and other taxes) to make sure that medium to longer term planning can be undertaken without the threat of whimsical change.

The full consultation paper is reasonably brief. Click [here](#) for a link to the full document

The consultation is incredibly important and it's vital that we collate as much information and evidence as possible to frame both our and, most importantly, our clients' concerns.



Please get in touch with your usual Larking Gowen contact with feedback to any of the questions in the above link or highlight any other concerns you have that you think need to be brought to the Government's attention.



Events overview

With the event season fast approaching, Larking Gowen is excited to be supporting some of the region's fantastic agricultural local events. We'll be back at the Royal Norfolk Show; look out for our marshals at the event and see if you can spot our fabulous new branded parasols to help shade you from the sun (fingers crossed!). We're continuing to support the Aylsham Show and Wayland Show, in Norfolk, and, for the first time, we're supporting the South Suffolk Show. Many of the team will be circulating at the events, and we hope to see you there now we can enjoy the events season in its entirety.

We're pleased to announce, after the success of last year's Autumn Farming Conference in partnership with the CLA, that the event will be back for its second year! The 2023 conference will be held at Wherstead Park, Ipswich on 10 October. The event is aimed at farmers, growers, landowners, and all those involved in the agricultural sector, so we really hope you can join us. The audience will hear from experts in the agricultural sector on topics affecting the future of farming, with an emphasis on practical advice.

Bookings will open later this year. Keep an eye out for your client discount code which we'll email out to you soon.

In the meantime, 'save the date' and look out for updates on our website larking-gowen.co.uk/AFC.



Save the date!

Venue: Wherstead Park, Ipswich, IP9 2BJ

Date: 10 October 2023

Scan here for
more information!



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Attendees will hear from experts in the agricultural sector on topics affecting the future of farming, with an emphasis on practical advice.

Bookings will open later in the year. In the meantime, save the date in your diary and look out for updates on our website: larking-gowen.co.uk/AFC

For further information on sponsorships, exhibiting and general enquiries, contact the event team by emailing us at BDsupport@larking-gowen.co.uk.

