ANDERSONS

BUSINESS MATTERS

Volume 3

ANDERSONS

the FARM business CONSULTANTS

Introduction & Contents

Welcome to the third edition of Andersons' Business Matters. This publication looks at a selection of topics relevant to farm businesses across the UK. We hope you find it informative and thought-provoking.

If you would like to discuss any of the issues covered in Business Matters please do not hesitate to contact one of our consultants (listed at the back of the booklet).

The Directors of Andersons
the Farm Business Consultants
June 2023

Contents

Reorganising Farming Affairs

There are a range of reasons why a farmer might wish to reduce the amount of his/her time and capital that they commit to their farming activities. The two most common are:

- The development of a new business enterprise.
- Retirement or semi-retirement.

If the farm is not to be sold - and in many cases it will not be - the key question for the proprietor(s) is what alternative arrangements are there, and what are their advantages and disadvantages?

This article considers four possible choices:

1. The Farm Business Tenancy
2. Partnership
3. Share Farming
4. Contract Farming

Farm Business Tenancy

Since 1st September 1995, all new tenancies have been 'Farm Business Tenancies' under the Agricultural Tenancies Act.

Compared with the Agricultural Holdings Act (AHA) tenancies that preceded them, they provide significant flexibility in how they are organised. For example, the parties are free to agree how the rent is calculated - it can be a fixed figure, as in an AHA agreement, or alternatively set according to a formula such as the price of wheat on a certain date, etc. Similarly, the length of agreement is not prescribed - it could be for one year, 30-40 years, or indeed for the lifetime of the Tenant. If an agreement is for more than two years it can only be brought to an end - whatever the stated end date in the agreement - by one of the parties serving a notice of more than 12 months before the anticipated end date.

Under a Farm Business Tenancy, an income to the landowner can be assured, without the requirement to either provide the capital for the farming activity or bear risk.

However, under this type of arrangement a trading business will no longer exist, with the loss of both taxation and other advantages and, perhaps most importantly, the loss of Agricultural Property Relief for Inheritance Tax on a farmhouse.

This arrangement is not available if the farmer is themselves a tenant.

Partnership, Share Farming and Contract Farming

All three of these arrangements have been used extensively in UK agriculture since the 1976 Rent Agriculture Act introduced succession rights for AHA tenants (despite their subsequent withdrawal for all tenancies that started after July 1984). They have continued to be popular as they allow a business to reduce its requirement to both provide capital and bear risk, but do not establish a tenancy over the holding. Each has its own particular features, advantages and disadvantages, although the Contract Farming mechanism is now the most widely-used.

Partnership: this sees two (or more) individuals coming together to run a business. The concept of the family partnership is widespread in farming. However, in this case, it is more likely to be two unconnected parties - the existing farmer who wishes to take a step-back from farming and someone who will take on the day-to-day running of the farm.

In addition to the traditional Partnership, Limited Liability Partnerships (LLPs) are now available, which enable the participants to reduce their financial exposure in a way that is not possible with the traditional Partnership. Having said that, Partnership is an 'intimate' business relationship and can create a commitment and, possibly, complexity which is not suited to what may be intended, in many circumstances, to be a more 'arms-length' arrangement.

Nonetheless, partnerships are successfully used in a range of circumstances, from large scale arable operations with farm management companies to small scale livestock enterprises, with a new entrant as the operating partner.

Share Farming: unlike Partnership, a Share Farming agreement involves two parties who each maintain their own businesses and provide certain inputs to the arrangement.

The Landowner provides and meets the costs of land, buildings and fixed equipment, whilst the Share Farmer provides and meets the costs of men, machines and management.

Additionally each party pays their proportion of the shared costs (typically variable costs such as seeds, fertilisers, sprays, animal feeds, etc.) based on proportions agreed at the start of the agreement.

"The key question for the proprietor(s) is what alternative arrangements are there, and what are their advantages and disadvantages?"

The produce of the agreement (e.g. grain, milk, meat) is owned separately by the two parties, in the same proportion as the shared costs.

Suppliers are required to provide separate invoices to each of the two parties for their portion of shared inputs whilst, theoretically, each party should sell their produce separately.

Administratively complicated, such arrangements are sometimes described as 'partnerships without the joint and several liability'.

Contract Farming: as with Share Farming, there are two parties to the agreement. The 'Farmer' provides land, buildings and fixed equipment and a bank account through which the agreement is administered (out of which all inputs are paid for and into which all proceeds are received).

The 'Contractor' provides and meets the cost of men, machines and management and is responsible for implementing the Farming Policy agreed with the Farmer.

For his services the Contractor is paid a basic fee, together with the greater proportion of the calculated surplus at the year end, once the Farmer himself has retained an initial income ('the Farmers Basic Return').

Contract Farming Agreements are an arms-length arrangement which, properly established, provide a clear and simple means by which the requirement to provide capital and bear risk can effectively be shared with a third party, whilst retaining the benefits of continuing to run a fully in-hand farming operation.

Importantly, the Contract Farming Agreement is the only arrangement available to Tenants who wish to either reduce their involvement in the day-to-day running of the business, or 'retire' altogether, yet continue to remain living in the farmhouse. If considering this option as a Tenant it is important to check the tenancy agreement to ensure that there is no clause precluding such an arrangement.

All the Andersons' businesses have extensive experience in farm business re-organisation and are always pleased to talk to interested parties in the first instance with no cost or commitment.

Tendering for New Land

It's normally met with great excitement ... whether it's an advert on the open market or a private invitation - that thought of being able to grow the business and take on additional land. But, whether it's Contract Farming or a Farm Business Tenancy, as with all business decisions there is a lot to consider.

Planning

Firstly, we must consider what are the motivations? Naturally, these tend to be to grow the business, allow son or daughter to return to the farm, because the land is next door, and so on. But really, what is the reason for wanting to tender for that farm? The motivations must be the correct ones - to add to the profitability and ultimately aid balance sheet growth. You must understand your own business well first. You must know your own numbers - cost of production, profitability, what capacity of resources (power and labour) you have available. This is essential to tender with confidence.

From an arable perspective, scale is a key business item many do not fully understand. What is my optimal scale of operation?

The challenge for many is that understanding the fixed costs is sometimes difficult where short-term agreements mean land is lost and gained periodically and regularly. But, from a resource perspective, you must be realistic about your overheads. If you have capacity for 1,000 acres with your current working widths etc. and farm 800, then another 200 acres is realistic. But if you're at the top end of your capacity then another 200 or 500 acres means you end up part-way along the next 'step' of resource capacity. At that point, you are probably going to end up with higher operating costs than you had previously.

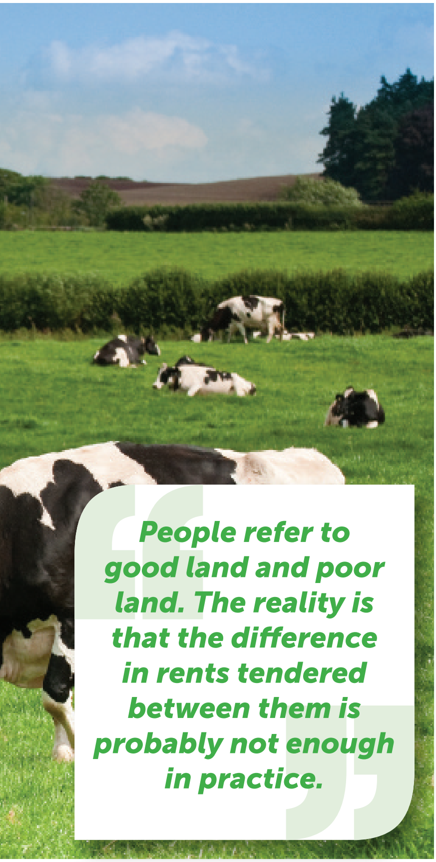
"The motivations must be the correct ones - to add to the profitability and ultimately aid balance sheet growth."

From a livestock perspective one of the main things to consider is how will my operation work when spread over another site? Don't under estimate the drain on resources that travel time can be between sites. You might achieve perfection when you are focused on one site, but how will this work on two sites with some distance in-between?

Prepare a normalised year budget then work backwards to show how you get to that goal of the established year. This should take no longer than 3 years. When budgeting the following points should be considered:

- Utilise 'average' output and input prices, not just today's prices
- The budget should be based on your own technical performance with any adjustments for the new land
- How much forage will I grow at what quality to drive my livestock technical performance. Care should be taken with any arable reversions not achieving rates similar to an established livestock farm immediately
- Consider risk and 'what if' scenarios - cereals +/-£25/t; fertiliser +/-£100/t; milk price +/-5ppl etc
- Think about the challenges of getting to that established year;
  - Re-seeding
  - Purchasing growing additional breeding stock
  - Lower yields on heifers
  - Establishing a rotation
  - Dealing with 'legacy' issues - low fertility, weed burden, backlog of repairs etc.
- Be careful to show true balance sheet progress in your budgets. Often the cash flow will look negative as the working capital is increasing, making one-off upfront investments or purchasing breeding stock at above book value. If shown correctly it should give you, the land owner, and the bank more confidence.

Then decide how to 'share' the pre rent and finance surplus. The old adage was typically 50:50 with Landlord and Tenant. Consider the start-up effort required, particularly for short-term agreements. Is it worth it? Often a short-term agreement naturally turns into a longer one, but it should not be assumed that's a given, especially where considerable capital and physical effort / time are utilised to establish something new. Longevity is paramount in most cases.



> ***People refer to good land and poor land. The reality is that the difference in rents tendered between them is probably not enough in practice.***

The Farm / Land

We hear people refer to good land and poor land. The reality is that the difference in rents tendered between them is probably not enough in practice. Poor land tends to always be expensive and good land rarely too dear. This is often evident in a Contract Farming Arrangement where results between different operators of the same calibre vary so much according to soil type - e.g. 100% variation in return to the Farmer.

Whereas the FBT tendered for those two different land blocks might only vary by 25%.

Therefore, do your due diligence:

- Walk 'all' the land
- Take a spade!
- Ask for soil tests - often they are promised but not provided. Do your own - one adjacent to the yard and one at the furthest distance away from the buildings (if relevant).
- Understand what the Landlord or Farmer's objectives are (where you can). What are their commitments likely to be to repairs, capital improvements etc.
- Look at average rainfall and soil types

Subsidy

The environment has changed / is changing. Consider who gets what and what work they do for that reward. Typically now, future contract farming arrangements will usually include all SFI payments and CSS. BPS may be in or out of the sharing mechanism, but either way they influence the prior charge to the Farmer. Future income streams are likely to influence productivity i.e. farming systems and land out of production, as well as more paperwork. This all takes time and effort to manage; therefore they should be included within the farming income.

Capital

The consolidation of farming generally has meant that in the arable sector many are almost forced to invest in buildings and infrastructure 'at home' to support additional land away. For example, grain storage and drying equipment. Whilst not necessarily wrong, it does add an element of risk to the business if land farmed away is lost and an alternative use is not available.

From a dairy and livestock perspective some value should be added for the use of existing infrastructure on the new farm. What did it cost to erect? What would it cost to erect now? Take that value and divide by 25 years. This can make land rent become a high figure per acre but the reality is that you can use your building depreciation budget in the rent instead.

The sense check should be:

- Do I need this infrastructure?
- Is it fit for purpose for the duration of the tenancy?

Often livestock can require capital sums up-front - for example a slurry store. Think about what is the correct timescale this investment should be written off over. Then if the tenancy is shorter how will you deal with this? Either the Landowner makes the investment and re-coups the deprecation plus a return on capital % through the rent. Or the Tenant makes the investment with a pre-agreed write-down schedule on Tenant's fixtures and fittings. Capital demands should never get in the way of a good business plan so don't be afraid to make the case to invest rather than presume nobody ever wants to invest capital.

Don't be afraid to make the case to invest rather than presume nobody ever wants to invest capital.

The Application

Consider including a family picture - make it personal!

Think about who is reading your application - an existing Landlord might be quite intrigued to read your very keen bid for additional land when your current 'main' farm has a much lower rent or rental equivalent.

It may be that the first application you do is not successful. This should not be disheartening - it can be seen as good practice and developing experience for the future.

Often just doing the exercise of doing a rent tender or making a contract farming application makes you learn about what you actually want and makes you understand your existing business better.

Options for Sourcing Machinery

For any farm businesses, the cost of operating machinery is likely to be one of the most significant parts of the overall cost structure. It is also an area where there is an enormous range in costs between similar farms.

Given this, and the fact that lead times required for new machines mean committing to orders over 12 months in advance for many types of equipment, many businesses are now looking at a more planned approach to sourcing machinery. This article looks at the options available.

The cost of operating machinery is likely to comprise the following:

- Depreciation (the annualised cost of owning a machine)
- Hire Charge
- Repairs
- Insurance
- Fuel
- Finance (frequently ignored, but the cost of capital tied up with machinery will be higher with increasing interest rates, and increasing machinery costs)

Older machines tend to have lower overall running costs, mainly due to lower depreciation. This is partly offset by higher repair costs, and older machines potentially have more reliability issues.

New machines tend to have higher overall running costs with higher depreciation. But lower repair costs often covered by warranty, and (in theory anyway) should be more reliable.

So, what other factors should be considered? There is no right and wrong approach to operating machinery. The factors which frequently tend to influence decisions are as follows:

Reliability

- What happens when it goes wrong? Replacement machine. Can we afford the downtime?
- How far away is the nearest help (dealer, or independent engineer)?
- How technically competent are the operators to fix? Is a full-time mechanic employed, and how far do his skills extend?
- The cost of Dealership repairs is becoming more significant to the overall cost of ownership

Major Repairs Approaching

- Warranty coming to an end
- New Tracks required

Value

- Keeping it too long and losing disproportionately more value than any potential saving in running costs

Many businesses are now looking at a more planned approach to sourcing machinery.

- Obsolescence - your machine is becoming out of date (due to new technology) which will impact resale value

Cash Availability / Short Term Cashflow / Access to Finance

- The availability of working capital may restrict the options for accessing machinery
- For purchasing, hire purchase may be an option depending on trading record
- What are the short-term annual costs (i.e. finance repayments or hire charges)? Although in the long term, owning the machine may be the more cost-effective option, due to the resale value, in the short term the annual hire charge may be less than the repair costs and finance charge.

Machinery Replacement Policy

- The need to maintain a regular replacement policy for machines is important to avoid a bottleneck of 'principal' machinery requiring replacement.
- A long-term replacement policy will also ensure that annual finance costs are kept to a consistent level.

Given these considerations, what options are available to businesses?:

- Hire
  - Short Term
  - Annual Term
- Contract Hire (more than 1 year)
- Purchase
  - New
  - Second Hand
- Machinery Sharing
- Using Contractors to avoid investment in specialist machinery

There are pros and cons of each of the above.

Figure 1 Pros and Cons of Different Machinery Options

	Pros	Cons
Hire: Annual Term	Discounted rate over short-term hire	Paying for machine when not used
	Treated as a trading expense, therefore reducing taxable profit.	Possible running hours restrictions
	Possible monthly payments to aid cashflow	Doesn't utilise Capital Allowances
	No deposit required	
	Access to a new model every year	
	Reliability and usually rapid back-up support	
Hire: Short Term	Ultimate flexibility as you only pay for the months that the machine is required (subject to minimum hire term)	Likely to be the most expensive of all options and more expensive on a monthly basis than annual term
	Treated as a trading expense, therefore reducing taxable profit	Possible running hours restrictions
	Likely monthly payments to aid cashflow	Doesn't utilise Capital Allowances
	No deposit required	
	Access to a new model every year	
	Reliability and usually rapid back-up support	

	Pros	Cons
Contract Hire	Treated as a trading expense, therefore reducing taxable profit	Possible running hours restrictions with onerous penalties on exceeding
	Fixed annual payments over a number of years	Doesn't utilise Capital Allowances
	Usually includes a servicing agreement, so no unexpected expenditure	
	Possible option to purchase at the end of the term - you know the previous owner!	Potentially no option to purchase / too expensive thereby forcing you into an alternative arrangement
	No financial risk from major mechanical failure	
Purchase	Utilises capital allowances	Taxable profit on sale
	Ability to spread costs (i.e. repairs and true depreciation) over a longer period of time	Finance charges, if purchased through Hire Purchase
	More flexibility - not forced to return the machine at the end of a contract	Responsible for all repairs and maintenance
	Ability to spread payments using Hire Purchase	Ties up working capital
Machinery Sharing	Share purchase and running costs with neighbour	Could limit availability as shared between multiple businesses
	Possibly maximises economies of scale	More likely to be a success if used with common management to avoid conflicts of use
	Can benefit further when the requirement varies between the businesses; for example a harvester shared between seed potatoes and main crop potatoes, or light and heavy land sugar beet harvesting	
Use of Contractors	Reduced working capital employed	Could be more expensive depending on the operation
	No associated risks of owning specialist machinery	Availability when required
Source: Andersons	Usually both labour and machinery supplied which means no in-hand labour required	

Our analysis suggests owning machinery and keeping it longer tends to be the lowest cost approach to operating machinery, however as set out above, the lowest cost isn't always the most appropriate approach for every business.

As every farming business is different, there is no right or wrong approach to machinery use. It usually comes down to personal preference, taking into account all of the factors above.

However, whatever your current machinery policy, it is encouraged that all of the options are reviewed prior to committing to your 'usual' option.

The Changing Subsidy Landscape

The Agriculture Act 2020 heralded a fundamental change, for England at least, in the way that agriculture is supported financially. The Basic Payment Scheme (BPS) will be phased-out and replaced with payments for environmental management.

This article reviews how the BPS declines, the new Standards being introduced under the Sustainable Farming Incentive (SFI) and the advisory support available to farmers to address the economic consequences of these changes.

Changing BPS

The BPS's predecessor, the Single Payment Scheme, commenced in January 2005. When the BPS finally closes at the end of 2027 these two area-based payment schemes will have been in place for 23 years; few would have forecast that a quarter of a century ago.

The rate at which the BPS reduces depends on the area claimed. The following table sets out how BPS payments change between 2019 and 2027 for businesses of different sizes:

Figure 2 Change in English BPS Payments - 2019 to 2028

Year	100 Hectares		300 Hectares		700 Hectares	
	Total £s	£ per Ha	Total £s	£ per Ha	Total £s	£ per Ha
2019	22,980	230	68,888	230	160,704	230
2020	23,322	233	69,965	233	163,251	233
2021	22,156	222	62,472	208	136,438	195
2022	18,657	187	51,977	173	111,951	160
2023	15,159	152	41,482	138	87,463	125
2024	11,661	117	30,988	103	62,975	90
2025	8,163	82	20,493	68	38,488	55
2026	4,664	47	9,998	33	14,000	20
2027	1,166	12	1,500	5	1,500	2
2028	-	-	-	-	-	-

Source: Andersons.
Note: Defra has not officially announced the yearly deductions in the BPS for the 2024 year onwards, although it is clear payments will disappear by 2028.

The Sustainable Farming Incentive (SFI)

The SFI, together with Countryside Stewardship (CS), will now be the main schemes by which measures for environmental land management and farmer payments are made in England. A companion article in this edition of Business Matters looks at how SFI/CS might fit into cropping rotations.

Three SFI standards were introduced in 2022 for the 2022-23 farming year:

1. **Arable and Horticultural Soils**
2. **Improved Grassland Soils**
3. **Moorland and Rough Grazing together with payments for undertaking a Livestock Health and Welfare Review.**

A further six standards are being introduced in the summer of 2023. These are summarised below:

Figure 3 SFI - New Standards for 2023

Standard	Action	Payment
Hedgerows	Assess and record hedgerow condition	£3 per 100m①
	Manage hedgerows for range of heights/widths	£10 per 100m①
	Maintain or establish trees to achieve average of one every 100 metres	£10 per 100m②
Integrated Pest Management (IPM)	Complete IPM assessment / prepare IPM plan	£989 per year
	Establish, maintain flower-rich margins, blocks or in-field strips	£673 per Ha
	Establish a companion crop	£55 per Ha
	No use of insecticide	£45 per Ha
Nutrient Management (NM)	Complete NM assessment / produce NM report	£589 per year
	Establish and maintain legumes	£102 per Ha
	Establish and maintain legume fallow	£593 per Ha
Arable and Horticultural Land	Establish and maintain blocks, strips of pollen/nectar flower mix	£614 per Ha
	Establish and maintain blocks, strips of winter bird food	£732 per Ha
	Establish and maintain grassy field corners and blocks	£590 per Ha
	Establish and maintain a 4-12m buffer strip on arable/horticultural land	£451 per Ha
Improved Grassland	Take grassland field corners and blocks out of management	£333 per Ha
	Maintain improved grassland to provide winter bird food	£474 per Ha
	Establish and maintain a 4-12m buffer strip on grassland	£235 per Ha
Low-Input Grassland	Manage grassland with very low nutrient inputs (outside SDA)	£151 per Ha③
	Manage grassland with very low nutrient inputs (within SDA)	£151 per Ha③

Source: Andersons.
① one side ② both sides ③ indicative rate – still to be confirmed.
SDA rate was previously £98 per Ha but Defra has committed to equalise payments between SDA and non-SDA.

With limited reductions in the BPS until 2022 and high arable crop prices, it appears that many businesses have been deferring their decision on whether to participate in SFI. The introduction of the six new Standards is likely to prompt greater uptake, not least in the light of declining commodity prices and the more noticeable reductions in BPS payments.

It appears that many businesses have been deferring their decision on whether to participate in SFI.

Advisory Support

Defra recognise that BPS payments have been vital contributors to the profits of many farming businesses and that the changes in support payments, with the emphasis on environmental management, will create both practical and financial challenges.

In order to help farmers address these issues Defra has introduced the Future Farming Resilience Fund (FFRF), detailed on the GOV.UK website as follows:

"The Farming Resilience Fund provides business support to farmers and land managers in the first few years of adapting to agricultural transition. If you currently receive direct payments you can receive this support and it is free of charge. It is designed to help you make the right business choices for the future".

This service - which is fully funded by Defra - is available throughout England to any farmer with an SBI number. It runs until March 2025.

The FFRF is being delivered by a range organisations. One point that is not always clear is that different providers are offering different types of support. Andersons have partnered with Ricardo to deliver the service. Under our one-to-one business reviews you will get three days' worth of free consultancy input and receive;

- Receive a face-to-face meeting with a specialist consultant
- A detailed report
- A follow-up meeting
- Access to online training courses

Areas that we can cover under the programme include:

- Joint venture
- Debt Re-Structuring
- Feasibility Studies
- Analysis of Capital Investment and Future Funding
- Forward Budgeting and Cashflow Management
- Diversification
- Tenancy Help
- Anything else farm business-related

If this of interest to your business either contact one of our offices to find out more or alternatively make an application via - **https://ffrf.ricardo.com/**

Combining Stewardship into Rotations

Agri-environmental schemes have previously played second fiddle' to the Basic Payment Scheme (BPS) for most farmers. They have also often been used as the quick fix for the worst performing areas or awkward corners on the farm by essentially taking them out of production.

However, is it time to look at Stewardship differently? View it not as just taking land out of production, but as a way of being paid for management practices that you may well already be doing or want to adopt, whilst also being financially rewarded for improving the health and productive capacity of your soils.

The remainder of this article focuses on the specifics of the schemes available in England. The principles, however, apply equally to the programmes available in the other regions of the UK.

With the menu of options for agri-environment agreements due to evolve once again following the announcement of six new Sustainable Farming Incentive (SFI) options and an enhanced version of Countryside Stewardship (CS) replacing the previously named Local Nature Recovery, it is worth visiting what is currently on offer when looking to complement rotations.

Whole Field Options

Some rotational CS options cover whole fields. These include,

- GS4
  Legume and Herb Rich Swards
- AB15
  Two-year Sown Legume Fallow
- SW6
  Winter Cover Crops
- AB2
  Basic Over-winter Stubble
- AB6
  Enhanced Over-winter Stubble

At field scale, these options can help deliver real environmental benefits alongside a low-risk break crop. Whole-field stewardship options look different to traditional break crops within rotations, and have a different cost structure. However, they are ultimately achieving the same outcome (profit) and should therefore be treated with the same attention to detail as those crops. These whole-field options can be rotated around the farm and can offer solutions to some of the challenges currently facing arable enterprises - poor break crop performance, weather extremes, grassweed burden and declining soil health.

Whole-field options will not be for all, particularly for above-average performers, but for some they will be as financially attractive as poor performing oilseed rape and other break crops. For example, a guaranteed £593 per Ha (before establishment costs) for a Two-year Sown Legume Fallow, if established well, challenges the gross margin produced by a Spring Bean crop. Furthermore, the income stream is not affected by the weather or yield and price fluctuations.

With the introduction of the six new Standards under the SFI, there is now further opportunity to increase returns through options that naturally fit into arable rotations.

For those struggling to manage grass weeds such as blackgrass in rotations, the inclusion of rotational options such as GS4 - Legume and Herb Rich Swards; AB15 - Two-year Sown Legume Fallow (not for everyone!) or AB7 - Whole Crop Cereals can be used within crop rotations as a method of grass weed control.

We can also view some CS and SFI options from a soil health and care point of view. Everything we apply to crops, to the soil surface, or crop residues; all have to be dealt with by the soil biota within the soil ecosystem. Historically, many combinable crop fields have had virtually no living plant material growing in them from July through to October. There is nothing available to photosynthesise carbon dioxide, feed the soil bacteria, mop up nutrients or stabilise soil structure.

The CS options involving catch and cover cropping, such as SW6 - Winter Cover Crops, therefore provide significant benefits in replenishing soil fungi and maintaining carbon:nitrogen ratios to ensure Greenhouse Gas (GHG) emissions are kept to a minimum. The nutrients captured are then available for the following crops.

Other benefits from improved soil stability should also mean less cultivations (thus lower fuel consumption and equipment wear and tear) and a generally lower carbon footprint. The GHG emissions of grain is something the supply chain will be looking at with increased focus over the coming years.

SFI Options

With the introduction of the six new Standards under the SFI, there is now further opportunity to increase returns through options that naturally fit into arable rotations. For example, under the Integrated Pest Management Standard the 'No Use of Insecticide' option (£45 per Ha) is rotational meaning you can move your 'no insecticide' committed area around your farm each year, giving you the ability to treat OSR and Barley as you normally would, without the SFI restricting your rotation.

In terms of maximising farm income, it pays to compare your CS scheme with a new SFI agreement. This is because, for most CS Wildlife Offers, the main options will be available from summer 2023 under the SFI, but you will also be able to 'stack' the SFI Soil Standards on top and gain additional payments for Nutrient Management Plans and IPM. The new options under SFI mean you can roll everything into one scheme, receive quarterly payments, still retain an element of flexibility, and maximise income on each hectare.

As demonstrated in the tables on the next page, a simple Countryside Stewardship scheme on a mixed farm of 425 Ha (50 Ha grass and 375 Ha arable) generates a CS income of circa £25,000 per year.

There is scope to roll this agreement into the SFI and bolt on the Soil Standards, without having to change the farming policy to achieve an income of circa £34,000 per year.

Figure 4 Countryside Stewardship Versus Sustainable Farming Incentive Example

Countryside Stewardship Mid-Tier Mixed Farming Wildlife Offer Code	Option	£ per Ha	Ha (unit)	Total £
AB8	Flower rich margins and plots	673	4.25	2,860
GS4	Legume and herb rich swards	382	15.00	5,730
AB9	Winter bird food	732	8.50	6,222
AB12	Supplementary winter feeding for farmland birds①	669	4.25	2,843
GS2	Permanent grassland with very low inputs (outside SDAs)	151	25.00	3,775
BE3	Management of hedgerows	£10/100m②	12,300	1,230
SW1	4m to 6m buffer strip on cultivated land	451	6.80	3,067
Total				**25,727**

Sustainable Farming Incentive (SFI) Standard	Option	£ perHa	Ha (unit)	Total £
IPM	Establish and maintain flower rich grass margins, blocks or in field strips (AB8 equivalent)	673	4.25	2,860
Nutrient	Establish and maintain legumes (GS4 equiv.)	102	15.00	1,530
Arable Land	Establish and maintain blocks or strips of winter bird food (AB9 equivalent)	732	8.50	6,222
Low-Input Grass	Manage grassland with very low nutrient inputs (outside SDAs) (GS2 equivalent)	151	25.00	3,775
Hedgerows	Manage hedgerows so there is a range of different heights and widths (BE3 equivalent)	£10/100m②	12,300	1,230
Arable Land	Establish and maintain a 4-12m buffer strip on arable land (SW1 equivalent)	451	6.80	3,067
SFI Management payment③				1,000
Arable Soils	Introductory level (on ½ arable area)	22	187.50	4,125
Arable Soils	Intermediate level (on ¼ arable area)	40	93.00	3,720
Grassland Soils	Introductory level	28	40.00	1,120
IPM	Complete an IPM assessment and produce an IPM plan			989
Nutrient Management	Complete an assessment and produce an NM review report			589
IPM	No use of insecticide (on ¼ arable area)	45	93.00	4,185
Total				**34,446**

Source: Andersons.
① per tonne for every 2 Ha of AB9 - Winter bird food ② for each side ③ £20 per Ha up to 50 Ha

The six new options for SFI should be available from this summer.

The agreements are for three years, with the opportunity to add to the agreement on the annual anniversary of the start date.

Applications to the SFI can be made all year round with payments made quarterly in arrears.

There are also opportunities to withdraw from an existing CS scheme, without penalty, if an SFI scheme is entered into with equivalent or higher environmental benefit.

Talk to your local Andersons consultant if these matters are of interest.

THE CONSULTANTS OF THE ANDERSONS BUSINESS

THE ANDERSONS CENTRE


Richard King
t: 01664 503200
m: 07977 191427
rking@theandersonscentre.co.uk


Graham Redman
t: 01664 503200
m: 07968 762390
gredman@theandersonscentre.co.uk


Joe Scarratt
t: 01664 503200
m: 07956 870263
jscarratt@theandersonscentre.co.uk


Michael Haverty
t: 01664 503200
m: 07900 907902
mhaverty@theandersonscentre.co.uk


Oliver Hall
t: 01664 503200
m: 07815 881094
ohall@theandersonscentre.co.uk


George Cook
t: 01664 503200
m: 07836 707360
gcook@theandersonscentre.co.uk


Caroline Ingamells
t: 01664 503200
m: 07495 281717
cingamells@theandersonscentre.co.uk


Tony Evans
t: 01664 503200
m: 07970 731643
tevans@theandersonscentre.co.uk


Dafydd Evans
t: 01664 503200
m: 07827 928914
devans@theandersonscentre.co.uk


Kerry Jerman
t: 01664 503200
m: 07838 591799
kjerman@theandersonscentre.co.uk


Edward Calcott
t: 01664 503200
m: 07827317672
ecalcott@theandersonscentre.co.uk


Harry Davies
t: 01664 503200
m: 07402 027459
hdavies@theandersonscentre.co.uk


Amelia Rome
t: 01664 503200
m: 07565 213933
arome@theandersonscentre.co.uk


James Webster
t: 01664 503200
m: 07717 088409
jwebster@theandersonscentre.co.uk


Anna Bowen
t: 01664 503200
m: 07588 774901
abowen@theandersonscentre.co.uk

ANDERSONS EASTERN


Jay Wootton
t: 01284 787830
m: 07860 743878
jwootton@andersons.co.uk


Nick Blake
t: 01284 787830
m: 07748 631645
nblake@andersons.co.uk


Jamie Mayhew
t: 01284 787830
m: 07540 686759
jmayhew@andersons.co.uk


Ben Burton
t: 01284 787830
m: 07775 877136
bburton@andersons.co.uk


Pam Jacobs
t: 01284 787830
m: 07787 445433
pjacobs@andersons.co.uk


Annabel Gardiner
t: 01284 787830
m: 07387 396561
agardiner@andersons.co.uk


Tom Procter
t: 01284 787830
m: 07467 562627
tprocter@andersons.co.uk

ANDERSONS MIDLANDS


John Pelham
t: 01568 701929
m: 07860 508019
jpelham@andersons.co.uk


Sebastian Graff-Baker
t: 01455 823425
m: 07831 454320
sgraff-baker@andersons.co.uk


Mike Houghton
t: 01722 782800
m: 07836 707096
mhoughton@andersons.co.uk


Lily Hiscock
t: 01722 782800
m: 07854 811464
lhiscock@andersons.co.uk


Harry Batt
t: 01722 782800
m: 07948 245525
hbatt@andersons.co.uk


Victoria Moxham
t: 01722 782800
m: 07776 847434
vmoxham@andersons.co.uk

ANDERSONS NORTHERN


David Siddle
t: 01968 678465
m: 07885 809119
dsiddle@andersonsnorthern.co.uk


Ben Kellagher
t: 01968 678465
m: 07770 652959
bkellagher@andersonsnorthern.co.uk


Charlotte Dun
t: 01968 678465
m: 07572 149631
cdun@andersonsnorthern.co.uk


Tom Cratchley
t: 01968 678465
m: 07826 112211
tcratchley@andersonsnorthern.co.uk

ANDERSONS - THE FARM BUSINESS CONSULTANTS

The four Andersons businessess provide services for Farming Businesses and Food and Agribusinesses. Recognising that all businesses are different, Andersons' advisors tailor their advice to their clients' needs. Advice may be provided in a range of areas including:

Farming Businesses

- Business Appraisal
- Business Strategy and Succession Planning
- Investment Planning and Appraisal
- Financial Planning including Budget and Cashflow
- Enterprise Costings and Benchmarking
- Farm Business Administration
- IT and Software Design
- Contract Farming and Joint Ventures
- Co-operation and Collaboration
- Diversification
- Understanding Support Schemes and Grants
- Basic Payment/Agri-environment Claims and Problem Solving
- Preparation of Grant Applications
- Tenancy, Rent Reviews and Arbitration
- Expert Witness
- Insolvency or Managed Recoveries
- Recruitment
- Training

Food and Agribusinesses

- Specialist Information Services
- Bespoke Training and Briefing
- Preparation of Promotional Material and Bespoke Publications
- Appraisals and Feasibility Studies
- Business Strategy
- Market Research and Analysis
- Business Analysis and Modelling
- Benchmarking and European Economic Comparisons
- Acquisitions and Joint Ventures
- IT and Software Design
- Recruitment and Personnel
- Development

For more details on any of the above, or a discussion about your own particular needs, please contact one of the Andersons businesses. All discussions are strictly confidential and without commitment.

Agro Business Consultants Ltd

Publishers of the ABC Agricultural Budgeting and Costing Book, the Equine Business Guide and the Professional Update subscription service, providing the complete agricultural and rural information service.

The Pocketbook

Publishers and distributors of the John Nix Farm Management Pocketbook.

Andersons is also involved in:

Koesling Anderson

A consultancy based near Magdeberg in Germany, offering a range of services to businesses in Central and Eastern Europe.

Andercourt

A joint venture with Velcourt offering executive farm management services to farming businesses in the UK.

ANDERSONS THE FARM BUSINESS CONSULTANTS

THE ANDERSONS CENTRE

www.theandersonscentre.co.uk

MELTON MOWBRAY
General Enquiries: 01664 503200

Farm Consultancy
Contact: Joe Scarratt
Tel: 07956 870263
jscarratt@theandersonscentre.co.uk

Business Research
Contact: Richard King
Tel: 07977 191427
rking@theandersonscentre.co.uk

Corporate Consultancy
Contact: Michael Haverty
Tel: 07900 907902
mhaverty@theandersonscentre.co.uk

The John Nix Pocketbook
Contact: Graham Redman
Tel: 01664 564508
enquiries@thepocketbook.co.uk
www.thepocketbook.co.uk

Agro Business Consultants
Contact: Debbie North
Tel: 01664 567676
enquiries@abcbooks.co.uk
www.abcbooks.co.uk

MID-WALES
Contact: Kerry Jerman
Tel: 07838 591799
kjerman@theandersonscentre.co.uk

HARROGATE
Contact: Oliver Hall
Tel: 01423 875721
ohall@theandersonscentre.co.uk

ANDERSONS MIDLANDS

www.andersonsmidlands.co.uk

SALISBURY
Contact: Mike Houghton
Tel: 01722 782800
mhoughton@andersons.co.uk

LEICESTER
Contact: Sebastian Graff-Baker
Tel: 01455 823425
sgraff-baker@andersons.co.uk

HEREFORD
Contact: John Pelham
Tel: 01568 701929
jpelham@andersons.co.uk

ANDERSONS NORTHERN

www.andersonsnorthern.co.uk

EDINBURGH
Contact: David Siddle
Tel: 01968 678465
dsiddle@andersonsnorthern.co.uk

ANDERSONS EASTERN

www.andersonseastern.co.uk

BURY ST EDMUNDS
Contact: Nick Blake
Tel: 01284 787830
nblake@andersons.co.uk

KOESLING ANDERSON
Contact: Jay Wootton
Tel: 01284 787830
jwootton@andersons.co.uk

ANDERCOURT
Contact: Jay Wootton
Tel: 01284 787830
jwootton@andersons.co.uk

ANDERSONS