



## Agricultural and Rural Affairs Bulletin

Welcome to the Lamont Pridmore Agricultural and Rural Affairs Bulletin, our regular publication keeping you up to date with the latest developments relevant to this sector. For further information on these or any other farming or agricultural-related issues, please contact us on 0800 234 6978 or visit [www.lamontpridmore.co.uk](http://www.lamontpridmore.co.uk)

### Farmers face savings of up to £100 million thanks to changes with income tax

Thousands of self-employed farmers in the UK have been given a helping hand in the latest Budget after the Chancellor announced that they will be able to average their income over five years instead of two.

The change in policy, which will come into effect from April 2016, could potentially save the UK's farming community more than £100 million over the next four years.

The new system will cut down on hefty tax bills for short periods of high profitability by taking into account additional years, including those where profitability may have been substantially lower.

During his speech George Osborne recognised the importance of the UK's farming industry and the problems it faced. He said the move to five-year income averaging would help "the challenge our farmers face from volatile markets" and enable them to calculate their income on a fairer basis.

The National Farmers Union (NFU), which represents more than 85,000 members across the UK, have been campaigning for a change to the way income is recorded and averaged and had included a similar policy in their own recent election manifesto wish list.

They have said that the new policy "will go

some way to allowing [farmers and growers] to manage market volatility and focus more on investment and growth".

"News that the annual investment allowance will be addressed in the Autumn Statement is also welcome," said NFU president Meurig Raymond. "As [Mr Osborne] mentioned, £25,000 is not an acceptable level which would encourage on-farm investment and we will await further announcements with interest."

Speak to Lamont Pridmore to ensure you do not miss out on the benefits obtained from these new tax rules.





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## Dairy farmers need to prepare for future volatility

In recent months the UK's dairy industry has been hit with volatile prices that have seen the amount paid per litre fall dramatically.

It is believed that this volatility in the milk market has been responsible for the failure of a number of dairy firms in recent months.

During January around 60 farmers gave up producing milk according to the National Farmers Union (NFU) a rate which could see fewer than 5,000 dairy farmers left by 2025 if trends continue at the same pace.

The UK's current milk price is around 27p per

litre, which is significantly lower than the yearly average for 2014 (31.5ppl) and is similar to prices in 2008 at the height of the recession.

However, the other factor is the price of running a dairy farm which has shot up by around 40 per cent in the last eight years. This price increase has been driven by the price of feed, which has gone up by 50 per cent and an increase in rent on tenant farms.

In order to be better prepared for future changes the NFU has been calling for fairer prices for farmers.

NFU dairy board chairman Rob Harrison said: "These latest figures don't come as a surprise. Being a dairy farmer at the moment is like being a boxer – on the ropes and taking body blow after body blow – there's only so much you can take before throwing in the towel.

"I, like my colleagues on the NFU dairy board, are completely appalled by the ongoing price cuts crippling our industry and we are working hard to support our members and their businesses in every way we can."

If you have concerns about your farming operations and are facing financial difficulty due to volatile pricing then you need to speak with Lamont Pridmore.



## Farmers encouraged to maximise their profits

A recent report from the Department for Environment, Farming and Rural Affairs (DEFRA) has predicted a sharp decline in the profitability of farming across the UK in coming months.

The latest Farm Business Income Forecast produced by DEFRA shows that dairy farmers could face an estimated 13 per cent fall in income as milk prices continue to fall. Pig farms are also likely to see a 23 per cent decline in profits, while there is also likely to be a 12 per cent fall in the profits of poultry farms.

In comparison the beef and sheep sector will see greater profitability, but only at a low level, with income in these sectors expected to sit around £16,000.

These levels show that the UK's farming sector is struggling to meet the ever changing demands of the volatile produce markets and industry leaders are calling on farmers to seek new innovative ways of maximising their profits.

This could include streamlining current operations, diversifying to include other sources of income or seeking funding to invest in new technologies and skills.

The one benefit farmers currently have is the falling price of oil that has allowed the price of red diesel to remain remarkably low over the last three months.

The price of fuel has risen slowly in the last few weeks, from a low of 49.6p a litre

in February 2015 to around 52p a litre in March. This is more than 14p cheaper when compared to the same period in 2014 and 20p lower than the year before that.

The low fuel prices are a reflection of the tumbling price of oil, which hit record lows during the last quarter of 2014.

Fuel costs represent between five to ten per cent of total farm costs, meaning that many will have seen an overall decrease in general farm costs of around one to two per cent.

Lamont Pridmore are specialists in helping businesses develop strategies to maximise profits. If you would like help then speak to our team of ARA experts.