

Property & Business



Adding *Value* to Property & Business

SUMMER 2006



Farming the Asset

Recently, I was talking to a client near Louth who said "Tim, today it is all about farming the asset." I rather like that and intend to adopt 'farming the asset' as my own.

Farming culture has been to expand and doggedly to retain all land and buildings. But circumstances have changed and I see nothing wrong with selling a barn and 10 acres for £250,000, if this can be reinvested in another 100 acres to spread costs and maximise profit. Efficiently "farming assets" is a smart way to make profit and grow a business.

Unfortunately tenants are excluded from the "asset farming" party. In recent years we have assisted a number of tenants to buy their freeholds. Typically these are now costing around 50-70% of vacant value. The freehold of a 300-acre farm, with house and yard, might be bought for £750,000 by the sitting tenant - a big commitment, swapping £18,000 rent for £40,000 in interest.

However, by "farming the asset" well, the tenant may be able to retain most of the farm and reduce the interest costs to £18,000. Examples have included setting up a telecom mast with £3,500 rental income; selling barns for three houses and raising nearly £400,000, or selling a tumbled down barn and 9 acres for £110,000. *If a tenant has the chance to buy the freehold it is an opportunity not to be missed.*

Tim Atkinson
01522 504313

At the time of writing in early May, most farmers have yet to receive their 2005 Single Payment and I am afraid that at the time of reading there may be a significant number still waiting.

Many will be disappointed by the amount of the payment and all indications are that this will reduce further in the future.

What is to be done? Clearly many farmers have gone down the environmental route, and Entry Level Stewardship, which on most farms can be implemented at minimal cost, is a good way of earning £12 per acre. Higher Level is more demanding.

Otherwise, one may wish for divine intervention, but in reality a strategy for the future and a business plan would be more productive.

Every business faces different opportunities and threats. Some will be able to reduce cost of production through re-structuring, including joint ventures and judicious use of contractors. Land with low yield potential is likely to lay fallow, whilst the quest for higher yields on better land will and should continue. (*Why have wheat yields reached a plateau?*).

A number of businesses will decide that enough is enough and others will farm their land through contracting arrangements or Farm Business Tenancies. A growing number will develop new sources of income, either through working off farm, or by adding new and novel enterprises to the existing business.

All of this assumes, of course, that the wheat price remains in the high sixties per tonne. Things would be very different in the high eighties! The new biodiesel and bioethanol plants now under construction and planned will provide new markets, although their effects on farm gate prices are uncertain; the owners of these plants will clearly pay no more than they have to! Nonetheless, the prospect of the UK being a net importer of wheat instead of a net exporter gives some hope for the future.

Whatever the position of the business, **JH Walter** business consultants have the skills and experience to advise on the most advantageous way forward for you.

Henry M Denchfield
01522 504322

FANTASTIC AUCTION RESULT



Tension builds at the County Property Auction at the Bentley Hotel in March as auctioneer Ian Walter accepts the final bid for a small terrace house in uphill Lincoln of £81,500, exceeding all expectations. A fantastic result for vendor Lincoln City Council. In total £1,393,500 of property was sold for a number of vendors.

INHERITANCE TAX IS IT A PROBLEM?

If you have assets worth more than £285,000, including your home, potentially you have an Inheritance Tax problem

*Is there anything you can do?
How much will it cost?*

You can find the answers to these questions by attending one of our advice days. You will have a one hour meeting (free of charge and without obligation) with a Partner from **JHWalter** and a Director from Hampton Dean, Independent Financial Advisers*.

To book your place, please contact Michelle Sweet

Telephone: 0115 9886997
or email:
michelle.sweet@hamptondean.co.uk

*Hampton Dean Limited is authorised and regulated by the Financial Services Authority. The Financial Services Authority does not regulate tax advice.

Single Payment Scheme - Lessons Learnt?

The 2006 claim forms are submitted and we are drawing a sigh of relief that we have got this far! But we have learnt some painful lessons through bitter experience over the last year.

Lesson 1: Never trust an RPA deadline for payment/entitlement statements/provision of information or plans!

Lesson 2: Do not assume that practical common sense/logic will prevail. In many cases the RPA is bound by EU rules, so we just have to get on and deal with the scheme we have. In other cases, the RPA appear to simply not understand practical common sense/logic.

Lesson 3: Do be prepared to approach any land deals with a clear and open mind. Land occupation, as we all knew it, has changed and, more than ever, we now need co-operation between parties to

make this system work. *Where there is a will there is a way!*

Lesson 4: Informed, practical advice is well worth the money. It may seem just yet another cost, but one simple uninformed mistake could cost you considerably more in lost SPS income or penalties. *Spend wisely!*

Lesson 5: Life did not, and does not, have to stop simply because of the SPS scheme. Our experience is that land has been, and will continue to be, let and sold, despite the scheme complexities - you simply need to learn from lessons 1 - 4!

JHWalter have the experience and knowledge of this scheme to continue to provide practical, cost effective advice to make this system work for both the farmer and the land provider.

Ellen Allwood
01522 504320



Individual Service for Unique Property

It is extremely gratifying to see this service going from strength to strength and we have no doubt that for unique property our approach is achieving sales more rapidly and at better values than a standard High Street service.

We really see some wonderful homes and it is a pleasure to prepare them to market on behalf of our vendors.

Simon Smith
01522 504354

Tim Atkinson
01522 504313



Hough Manor, Hough on the Hill
currently being marketed with a guide of £775,000
with 7 acres of parkland

Food & Drink Forum - Funded Consultancy Available

If you run a business which is involved in producing more than primary agricultural commodities, you may be eligible to take advantage of some funded consultancy.

JHWalter has won the contract to assist the F&DF in delivering "free" strategic planning advice to eligible businesses in Objective 2 or Transitional 3 areas of the East Midlands.

Businesses can be in mainstream food production, or perhaps just starting out with some added

value processing, or alternatively part of the food chain, for example processing or farm shops.



The work is funded by the F&DF and will include up to five days' of advice. The project ends this December and so an early response is highly recommended.

For more information call

David Wright

01522 504321 or

Henry Denchfield

01522 504322

RENEWABLE ENERGY - THE FUTURE?



Interest in renewable energy has increased dramatically over the last few years.

The driver for this growth is more economics than green politics, although the importance of the latter should not be lost. The initial results, of those who have started to implement projects, provide some encouraging pointers to opportunities for others to take. These opportunities are in the main concentrated around local markets.

The massive increase in fossil fuel prices means that the potential to substitute fossil fuels with renewables has become even greater - and it seems likely that this differential in pricing will only increase further. Burning willow and miscanthus to provide heat and possibly power in institutional and commercial premises, as well as district heating systems, is now much more viable. Opportunities to see these systems in action are now possible, and as is so often the case, seeing is believing.

The technical issues for heat provision are now well established, and CHP (combined heat and power) systems are developing.

The ideal is to ensure that production of the renewable fuel is close to the end user. Techniques for improving the handling of these fuels now mean that end-users have trouble-free boiler management.

As ever, marketing is important and understanding customer needs is vital to success. Sound project planning is needed and, in some instances, there is some grant assistance available.

Wheat burning boilers are available and it was suggested to me recently that it was still economic to burn wheat at £120/tonne. *How many of you can remember those heady days I wonder?*

David Wright

01522 504321

TAKING IT TO A HIGHER LEVEL

There are two new environmental schemes that farmers can join to boost their income and improve the biodiversity of their farms.

These are the Entry Level Scheme (ELS) and the Higher Level Scheme (HLS). They can either be run together and combine to produce a Scheme that is similar to the old Countryside Stewardship Scheme, or the Entry Level Scheme can operate on its own.

Without too much extra effort, some farmers have already joined the ELS. This is because they have many of the necessary features on their farms that provide enough points to qualify for the scheme.

For the more ambitious conservation farmers who want to make a real difference to their farms, the HLS is the one to look at. The aim is to provide habitats for endangered species that are in keeping with the local area and this is done through management options and capital expenditure.

The process of joining the HLS involves producing a very detailed Farm Environment Plan (FEP) identifying features and suggesting which options will be suitable for managing those features. The work involved in producing this plan is time consuming and complicated.

This is where **JHWalter** are able to assist you, the farmer. There is financial assistance within the scheme for producing the FEP and provided it is produced correctly, this money will be paid out, even if the Scheme is unsuccessful. It is important to note that this scheme is competitive and must show value for money, unlike the ELS which is done on a points scoring basis.

If you are not in the Countryside Stewardship Scheme and you want to make a significant contribution to the flora and fauna of your farm, please consider these schemes. If you would like any further information, contact:

John Holtby 01964 563900 or

Angela Wood 01522 504306



MACHINERY AUCTION SERVICE

NEXT AUCTION: 1 JUNE 2006



JHWalter continues to lead the way in machinery auctions. The service features:

- Step by step advice from the **JHWalter Auction Team**
- Individually tailored marketing campaign
- A full colour auction catalogue
- Access to over 7,000 active machinery buyers
- Specialist auction software and website
- Permanent buyers' numbers
- Detailed attention to promotion, advertising and security

The next JHWalter machinery auction will take place on Thursday 1st June on behalf of Farmeco (UK) Ltd and will be held at

Starnhill Farm, Grantham Road, Bingham, Nottinghamshire, commencing at 11.00am.

Farmeco has been amongst the leaders in innovation and imaginative solutions within agriculture and, having recently rationalised its operations by shedding the contracting element of its activities, has decided to concentrate on its core business on its own holdings, exercising complete control on 3,300 acres.

The forthcoming sale will include many items which will be of interest to those with a progressive view of agriculture, but which no longer meet the needs of Farmeco's operational structure.

For full details please contact

Rob Ward 01522 504311

or

Ian Walter 01522 504301

Planning and Rural Commercial Development

It is almost impossible to generalise about planning because of so many inconsistencies both within and between local authorities.

In terms of residential development, new build in the countryside is as ever difficult, with many authorities tightening up consents by introducing interim policies and using the "sustainability" argument to its full. This is often as a result of previous over-allocation. Barn conversions depend very much upon which district the property is located. This said we have had continued success in obtaining consents, but the "bar" is always being raised, requiring stronger and more detailed applications.

Commercial opportunities are greater and planning policy, supported by local economic and development teams, mean that obtaining change of use can be relatively straightforward. However, never leave highways to the end of a project as access and routing can present problems which are generally easier to resolve at the start of the process.

The advent of "A" Day has increased attention on pensions as vehicles for investment. With the cost of money relatively low, many businesses prefer to have freehold premises in a SIPP, rather than rent. This does seem to have had some affect on the leasing market with demand not as strong as we might wish, even for modest sized units. When considering converting buildings for commercial purposes, it is important to consider your options for sale versus leasing. As always "Location" is one of the major factors and, where possible, as much flexibility needs to be factored in. If a yard is being gradually converted, then ensure a scheme is drawn up for the whole site so that siting, infrastructure and landscaping is mapped out at an early stage to avoid costly re-design.

David Wright

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