



Ten years of EQ Agriculture

It is ten years since EQ was formed as a result of a merger of its predecessor firms.

Over the past ten years we've grown our reputation and client base in the rural sector significantly. We've also continued to build our sector knowledge through training and recruiting staff with specific sector knowledge.

The last decade has seen considerable change in the rural sector.

Prices for inputs and outputs have been incredibly volatile. Ten years ago we did not have Single Farm Payment and in September 2004 bank base rate stood at 4.75%. Access to finance has certainly tightened over the decade and there was a time, immediately post credit crunch in 2007/08, when new finance was impossible to obtain. The political landscape has changed and will continue to change, impacting on subsidy regimes and bringing land reform further up the agenda.

The past decade has been a good one for owner occupiers. Land prices have risen sharply and, in general, farm units have become larger. More farmers now understand that they are business people and food producers and run their farming businesses accordingly. Many have grasped the entrepreneurial nettle to sell niche or added value products directly into their chosen markets.

Tax has been an area of major change. Significant changes have been introduced to capital gains tax, capital allowances and tax rates. We have also seen a shift in attitudes to tax avoidance and legislative changes to attack tax planning strategies.

We are fortunate at EQ to work for many fantastic rural businesses which are owned and operated by incredible people. We'd like to thank all the clients who we work with in this sector for their business with us and we look forward to working with them for many years to come.

Staying safe

Agriculture has an unenviable reputation when it comes to health and safety. Those who work in the industry are likely to know of at least one incident where someone was either killed or seriously injured whilst on a farm. Working with machinery or large animals, often alone and/or when tired are undoubtedly contributory factors. Whilst we are often all too focused on the financial results and getting the work done, the costs of an injury or

fatality go way beyond just money. Luckily, help is at hand. The Health & Safety Executive has a dedicated agricultural section on its website providing a wealth of useful advice and guidance on the matter. Farmers would be well advised to take some time out of their busy schedules to consider where health and safety could be improved on their farm.

www.hse.gov.uk/agriculture/index.htm

Sector focus – potatoes

Strengths	Weaknesses
<ul style="list-style-type: none"> • Dominated by large professional growers • Highly mechanised • Good access to irrigation in Scotland • Health status of Scottish seed 	<ul style="list-style-type: none"> • Need for high capital investment • Cost of production increasing • Volatile returns • Longer gaps between the good years
Opportunities	Threats
<ul style="list-style-type: none"> • Potential for very high returns • Collaboration between growers to reduce production costs • Further expansion by those who remain in the sector • Targeting of niche markets 	<ul style="list-style-type: none"> • Declining fresh consumption • Pest and disease pressure • Concentration of end buyers • Aggressive supermarket price competition

The last few years have been a rollercoaster ride for the potato sector. Oversupply in 2011 resulted in low prices. The weather in 2012 proved a real challenge, but the resulting drop in national production led to a significant improvement in prices for those growers who had not sold forward, leading to ware prices in excess of £300 per tonne and excellent returns in some cases. Unfortunately, the better growing conditions in 2013 led to a slight over supply and a steep fall in prices, with many growers unable to find a buyer for the tail end of their crop.

It is against this background that many arable farmers are questioning the future of their potato enterprise and this is borne out by a decline in the number of growers, which currently stands at just over 2,000.

With average yields of 46 tonnes per hectare and annual demand for the UK crop at around 5.5mt there is scope to grow c. 120,000ha. Plantings for 2014 are believed to be fractionally below 120,000 ha,

but favourable growing conditions and a backdrop of declining consumption could result in supply and demand being finally balanced for the year ahead.

Potato production has never been for the faint hearted and it is inevitable that some growers will fall by the wayside, but this could provide expansion opportunities or perhaps less competition for rented land for those who choose to remain in the sector.

To maximise the chances of success committed growers will need to:

- Grow for a defined market
- Exhibit technical excellence
- Have good cost control
- Be well capitalised, with ready access to additional finance
- Maintain a balance sheet strong enough to take the “bad” years without risking the farm

Getting to the root of the matter

A group of 18 from EQ recently spent a training afternoon at Backboath Farm, near Carmyllie, which is owned by J&R Black.

Those who took part ranged from trainee to partner level and EQ hope that the visit will be the first of many looking at the various types of farm businesses which we act for.

Mark Wilken, Partner, EQ said, "Many of our staff come from farming backgrounds and therefore already have a strong understanding of the sector. However, we are committed to training all of our staff and, as well as keeping them up to date in relation to accountancy and taxation matters, we are eager to develop their understanding of the key business sectors that we operate in. The visit undoubtedly helped the team

develop an even better understanding of the arable farming sector and make sense of what is going on behind the figures. We are very grateful to Hugh Black for hosting what was a highly engaging and informative visit."



Taking a casual approach...

Special concessions apply to temporary harvest workers, who can be treated as "harvest casuals" for PAYE purposes provided that they meet a number of strict criteria, namely:

- Casual workers taken on for harvest work
- Members of your own family do not qualify
- Individual employed for one day or less
- Employee paid off at the end of each day
- No contract for, or expectation of, any further employment



The concession does not mean that any payments made to casual workers are free of tax, but does allow special PAYE treatment to be applied. If all the above criteria apply, then there is no need to deduct

income tax on payments made, but employers will need to obtain the employee's full name, date of birth, gender, NIC number and address and keep a record of amounts paid.

Slightly different rules apply to calculating and reporting NICs. For the current tax year there is no liability for NICs where pay is below £153.01 per week. However, because there is no guarantee of employment the following day, this weekly limit is applied to each daily payment made to qualifying casual workers. So for example, a harvest worker could earn £125 on Monday and then £100 on Friday, but would not be liable for any NIC since the daily amounts paid were below the weekly limit.

The introduction of RTI in 2013 has certainly increased the compliance burden and has caused many farmers to reassess their treatment of casual harvest workers for PAYE. Although in some cases it proves simpler just to treat them as regular employees, in other cases the harvest casual treatment can still apply.

Similar rules apply to casual beaters taken on by shoots.

Our PAYE specialists within our Amber Accounting Services division have been helping clients get to grips with these issues over recent months.

Please contact Lynne Vaughan in our Dundee office on 01382 312100 for more information.

Agricultural Wages Board proposals

The Scottish Agricultural Wages Board (SAWB) has proposed increases in excess of 2% in the wage rates for agricultural workers from 1 October 2014.

The proposed minimum hourly rates are:

- £6.50 for those in the first 26 weeks of employment (up from £6.32)
- £7.14 for those employed for more than 26 weeks (up from £6.99)

- £3.96 for apprentices (up from £3.88)

These rates were issued as proposals in the summer and representations were invited. Confirmation of the rates to apply from 1 October 2014 will be issued by SAWB shortly.

Debt levels rise

Statistics published in August showed that bank lending to Scottish agriculture continued to increase, with the total level of debt rising by 7%, or £120m, to a total of £1.84bn. Separate statistics published earlier in the year by the Bank of England revealed that agriculture was the only business sector to show increased bank borrowing over each of the past three years.

Aggregate statistics do, of course, mask a wide variation in borrowing trends between businesses. In some cases increased debt could well be a sign of confidence, with farmers taking advantage of cheap

money and borrowing to invest in their business. Borrowing additional money when interest rates are so low can prove very worthwhile, provided you can find the right project to invest in. It could also be a sign of low profitability, poor working capital management or, in some cases, proprietors living beyond their means.

As always, businesses need to be on top of their cash flow and if debt levels are increasing they need to know the reasons behind this – there could be good or bad reasons!

Adding to our team

August saw the arrival of two new recruits to EQ.

Dundee University graduates Grant Reigate and Josh McCluskey will now embark on a three year training contract, during which they study towards their CA qualification with the Institute of Chartered Accountants of Scotland.



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This EQ news bulletin was prepared by Graeme Davidson and Mark Wilken, who are agricultural specialists based in our Forfar office. Contact them for information on any of the articles contained within this bulletin.

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