



Farmers set to benefit from potato research

For more information, please contact Bill Creasey on 01775 711333

Research into the genetic blueprint of the potato by an international consortium of scientists will enable farmers to benefit from varieties of potato with improved yield, quality and resistance to disease and drought.

As a result of the work by the Potato Genome Sequencing Consortium (PGSC), the potato has become the first major UK crop plant to have its genome fully sequenced.

This means that scientists have translated the potato's chemical 'instruction book' and understand how the genes which control various characteristics are put together.

Consequently, breeders will be able to use this information to identify the genes for beneficial traits and then introduce these characteristics into existing varieties, resulting in improved resistance to pests and diseases and enhanced tuber quality. Up until now, producing such new varieties has been an extremely slow process.

As the potato is a member of the Solanaceae, this research will also improve the understanding of other crops within this plant family, such as the tomato, pepper and aubergine.

Wheat farmers overcome dry weather conditions

For more information, please contact Andrew Heskin on 01775 711333



By Andrew Heskin

While the NFU predicted earlier this year that wheat yields were set to be the lowest for more than 20 years, preliminary results from the organisation's 2011 Harvest Survey

have proven these fears to be unfounded.

However, yields are still set to be below average due to the first six months of 2011 being the driest on record. Therefore, despite higher levels of planting, overall production will be down by around 189,000 tonnes compared with the five-year average.

If the current yield estimate of 7.5 tonnes per hectare proves to be accurate, this will result in overall wheat production of 13.636 million tonnes.

Ian Backhouse, NFU combinable crops chairman, highlighted the large variation in yields linked to different types of soil and the capacity to hold water. He also emphasised the importance of the Common Agricultural Policy (CAP) in supporting those farmers who were particularly affected by the dry spell.

"It serves to demonstrate the value of the single farm payment in shielding farmers from the extremes of climate and market volatility," he said.

Grocery adjudicator could be given penal powers

For more information, please contact Chris Wright on 01945 465767



By Chris Wright

The House of Commons' business select committee has submitted a report to the Department for Business, Innovation & Skills which calls for the Groceries Code Adjudicator to be given the power to fine supermarkets.

This is a step beyond the current draft bill, which proposes that the ombudsman simply names and shames those who break the Groceries Supply Code of Practice.

However, the draft bill does include a reserve power for the introduction of financial penalties if the recommended negative publicity does not work.

Additionally, the committee suggested that

trade associations should be able to provide evidence on behalf of suppliers, so providing them with anonymity. It also urged the government to "move forward with legislation as soon as possible".

While many retailers have criticised the operating costs of the adjudicator and attempted to delay its establishment, Waitrose has given the bill its backing, as it believes suppliers form "the lifeblood of the supermarket industry".

Annual Investment Allowance: changes and considerations

For more information, please contact Andrew Heskin on 01775 711333



By Andrew Heskin

While there are many reasons why planning and timing are vital when it comes to farm capital expenditure, the forthcoming reduction in the Annual Investment Allowance is currently one of the most relevant.

the April changeover date.

In these cases, the higher level of relief will only be available on expenditure before 5th April, so farm businesses need to plan ahead to ensure they obtain maximum relief.

One further effect of the lower relief rate will be the greater importance placed on the short life asset rules, which were recently doubled from four to eight years.

These rules allow for the wear and tear on any items of plant and machinery, so if farmers expect an item to be replaced within eight years of being purchased they can elect for it to be treated differently in terms of capital allowances.

This is particularly beneficial if the item is likely to depreciate in value faster than the associated capital allowances claim. When the item is sold or disposed of within the eight-year timeframe and a loss is made, it will result in a balancing allowance and a reduction in tax liabilities.

Although such assets normally qualify for the Annual Investment Allowance, an election can be made if the full allowance is used up – a useful step considering the forthcoming plunge in relief levels.

For more information and help with making a short life asset election, please contact us.

From April 2012, the level of relief available on capital expenditure will plummet from £100,000 to £25,000. While this will be a straightforward change for a number of firms, the picture becomes more complicated for businesses whose accounting period spans

Farmers suffer 13 percent inflation

For more information, please contact Chris Wright on 01945 465767



By Chris Wright

According to annual research by Anglia Farmers, the year to August 2011 has seen a 12.98 percent increase in the cost of inputs for producing food.

Overall, combinable crops were worst affected, followed by dairy, sugar beet, beef and

lamb and potatoes. In these sectors, the costs had escalated by 13.33 percent, 12.29 percent, 11.63 percent, 11.24 percent and 10.45 percent respectively.

The group chief executive of Anglia Farmers, Clarke Willis said: "Overall agricultural inflation of 13 percent is extremely high for an industry to absorb in one year." He added: "The input supply chain within the agricultural supply industry needs to be constantly challenged to contain costs."



Consultation on putting a cap on payments

For more information, please contact Chris Wright on 01945 465767



By Chris Wright

Defra has launched a consultation on the proposed changes to the Common Agricultural Policy (CAP) which were released on 12th October. This part of the negotiation process that is required before the proposals can be

implemented, and any interested parties have until 5th March 2012 to respond.

As part of the proposals, the European Commission is planning to replace the current Single Payment Scheme with one that potentially combines lower payments with an increased focus on environmentally-friendly farming practices.

When the Basic Payment Scheme comes into effect from 1st January 2014, the payments will probably be comprised of different elements: a basic support payment and a green payment. These are likely to form at least 60 and 30 percent respectively of the overall payment.

It is also proposed to introduce an upper limit on the size of the payments made, which will reduce by the following percentages within set bands:

- ◆ 20 percent for payments between €150,000 and €200,000
- ◆ 40 percent for payments between €200,000 and €250,000
- ◆ 70 percent for payments between €250,000 and €300,000
- ◆ 100 percent for payments over €300,000

This progressive cap will not apply to the green payments, and farmers can also deduct the value of the wages they paid the previous year.

To receive the additional green payment, farmers will need to ensure that they diversify their crops, maintain permanent pasture and include an ecological focus area on five percent of their agricultural land.

The proposals also include measures to prohibit farmers who have rearranged their affairs to avoid the effects of capping from receiving payments. Therefore, we recommend that you seek independent professional advice before taking any action, so please contact us for more information.

Barclays helps farmers go green

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By Andrew Heskin

Following research by Barclays which showed that over a third (37 percent) of the 300 dairy farmers questioned were planning to invest in renewable energy, the bank has launched a £100 million fund in conjunction with sector

specialists, such as the NFU.

With the majority of these farmers looking to make such investments in the next year in order to cut their energy bills and generate new income, Barclays will provide money for solar, wind and hydro projects within the UK.

Indeed, 80 percent of respondents appreciated that renewable energy can generate significant cost savings and 60 percent expected it to provide an extra source of finance. Barclays predicts that the costs of wind and solar projects are likely to fall by up to 50 percent in the next three to five years, making further investment a real possibility.

As Barclays will include projected feed-in tariffs with each loan, farmers expect to receive annual returns on investment of around £25,000. Feed-in tariffs guarantee a return for systems up to five kilowatts for up to 25 years. As a result, farmers will be paid for every kilowatt-hour of electricity they produce, as well as any electricity sold back to the grid.

"For farmers investing makes sense," explained Travers Clarke-Walker, product and marketing director for Barclays Business. "It's good for the environment, but for the majority it's about good business.

"Over the years farmers have struggled with low commodity prices and increasing costs, and Barclays has already supported many farmers as they seek new ways of making money. Renewable energy production offers farmers a further opportunity to develop their businesses and add to their

traditionally vital roles of producing food and managing the countryside.

"What farmers see is a win-win – lower costs and increased income, and the majority expect the investment to pay for itself in under 10 years."



Agricultural services:

- ◆ Raising finance
- ◆ Succession issues
- ◆ Taxation planning
- ◆ Outsourcing
- ◆ Land transaction planning
- ◆ Tax legislation
- ◆ Property transaction planning
- ◆ New ventures and diversification

Farmers growing in confidence

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According to the latest NFU research, many farmers are positive about the future, with 50 percent looking to increase production in the next five years. Additionally, the individuals surveyed are planning to invest

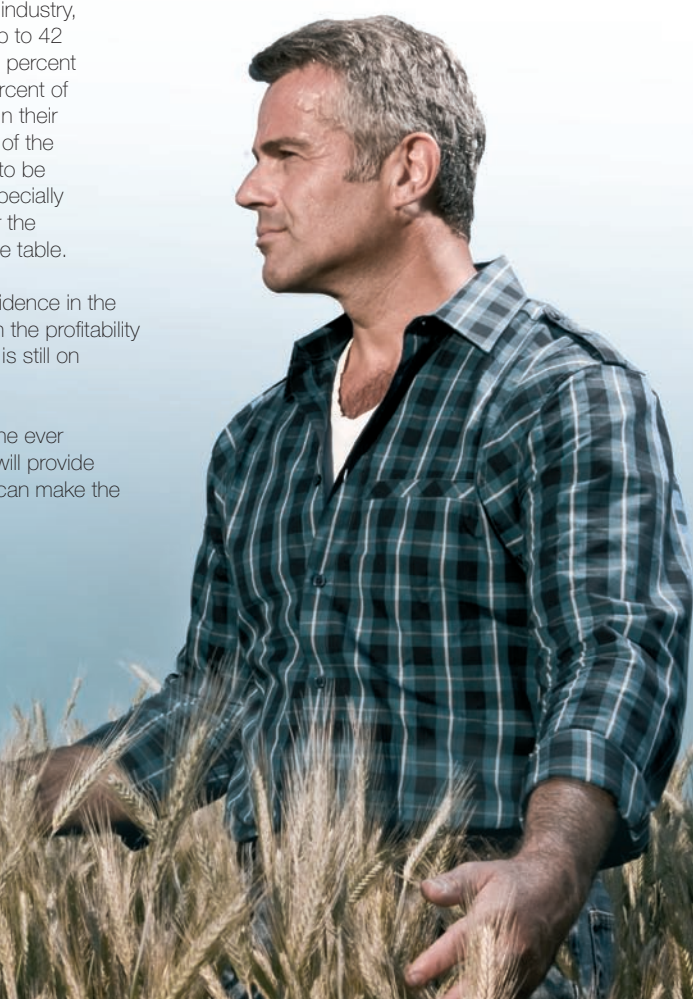
the same or more in both their buildings (around 62 percent) and skills and training (more than 70 percent).

However, while about 20 percent of farmers enjoyed enhanced profits (compared to 13 percent year-on-year), nearly 30 percent reported a decline in their fortunes or are worried about their prospects of survival.

This is especially true in the dairy industry, where the level of distress shot up to 42 percent – a dramatic rise from 25 percent in 2010. Indeed, with only 9.6 percent of dairy farmers seeing an increase in their profits, this provides further proof of the need for rises in the price of milk to be passed on to the producers – especially as those in the UK are stuck near the bottom of the EU milk price league table.

Conversely, there is growing confidence in the sheep and beef sectors, although the profitability expectations prove this optimism is still on shaky ground.

Overall, the requirement to feed the ever increasing population worldwide will provide opportunities that British farmers can make the most of.



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