



Fears supermarket price war will harm farmers

For more information, please contact Chris Wright on 01945 465767



By Chris Wright

The last three months have been a challenging time for the retail sector, as rising taxes and petrol prices force customers to transform their spending habits. This has even started to impact on supermarkets, with growth slowing down noticeably in the grocery market.

As the cost of living rises by more than their wages for many people, supermarkets have become more and more reliant on special offers to attract customers, with 40 percent of all sales coming from items on promotion, which represents an all-time record.

This follows previous supermarket price cuts earlier this year, which, even then, caused the National Farmers Union to express concerns that farmers could find their margins further squeezed as a result.

NFU president Peter Kendall called for the introduction of a retail watchdog 'sooner rather than later'. The idea of a supermarket ombudsman was proposed by the former Labour government with cross-party support, but a date has still not been given for when the new body will come into force, leading to accusations from Labour that the new government is 'dragging its feet' on the issue.

However, DEFRA secretary Caroline Spelman said the government did still intend to introduce a Bill to set up a new supermarket adjudicator as soon as parliamentary time allowed.

Changes to ES payments criticised

For more information, please contact Bill Creasey on 01775 711333

Defra has made changes to the Environmental Stewardship (ES) payment scheme, which could leave some farmers thousands of pounds out of pocket.

Under the changes, the payment schedule has been amended to bring it into line with European Commission rules.

As a result, some payments scheduled for this summer will be deferred until the end of the ES agreement, meaning that some farmers will have to wait until April 2012 for the next round of ES money.

The move has already come under fire from farmers who say they were counting on receiving payments worth thousands of pounds this summer.

The Country, Land and Business Association said the amounts paid would remain the same, but the timings would be different.

The latest Budget proves to be farmer-friendly

For more information, please contact Andrew Heskin on 01775 711333



By Andrew Heskin

While the Chancellor's latest Budget didn't contain many measures aimed specifically at farmers and rural landowners, the wider measures introduced should prove beneficial.

The main proposals that will have a positive impact on rural employers include a cut in fuel duty of 1p per litre, the extension of the business rate relief holiday for small firms until October 2012, and plans to simplify the tax system – the government will scrap 43 tax reliefs following recommendations from the Office for Tax Simplification.

The two percent reduction in corporation tax introduced in the Budget is unlikely to affect many rural businesses as the rate for profits up to £300,000 is already 20 percent, but will benefit companies with profits above that level.

Farmers will also benefit from the doubling of Entrepreneurs' Relief to £10 million and a government consultation on merging income tax and National Insurance in the longer term.

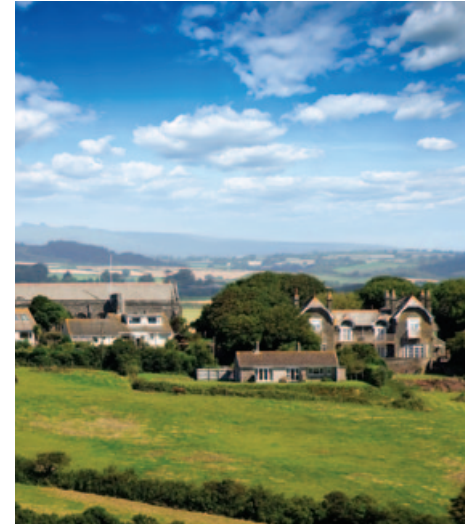
While the latter of these will remove the unnecessary costs for all businesses of having two separate taxes, this is particularly pertinent for rural employers, who are often more involved in administrative matters than individuals in larger firms.

Additionally, there were no changes to Agricultural Property Relief (APR) or Business Property Relief (BPR), which could have had a negative impact.

Landowners who also operate Furnished Holiday Letting (FHL) businesses need to be aware of revised rules surrounding their taxation. It is now no longer possible to offset any losses made on such businesses against other income.

From April 2012, the letting and availability thresholds will be increased. Properties will need to be let for a total of at least 105 days each year at commercial rates and be available for letting for at least 210 days.

In addition, farmers who are considering diversifying into renewable energy should pay attention to a government consultation this May. This will consider the capital allowances on plant and machinery acquired where



feed-in tariffs are claimed, and should lead to clarification of the treatment of such expenditure and more consistency between businesses.

The Chancellor also announced an additional £2 billion for the Green Investment Bank, which will now begin operating in 2012.

If you would like to discuss any of the measures introduced in more detail, please contact us.

Retirement considerations for farmers

For more information, please contact Trevor Wilshire on 01775 717220



By Trevor Wilshire

The phasing out of the Default Retirement Age (DRA), followed by its complete removal from 30th September 2011, is likely to have a greater impact on farming than most other industries due

to the physical nature of the work.

Indeed, some employers in the sector have become reliant on the DRA as a way of terminating the employment of workers as they become less physically able – and the situation becomes more complicated if living quarters are

provided as part of the employment package.

In such cases, once the employment ceases, the worker becomes a tenant. Depending on how the contract was drawn up at the time, this could result in a tenure for life, as well as succession rights.

Consequently, it is essential that employers check what type of tenancy the employee will be entitled to once they have retired – especially if the business wishes to use the accommodation for other purposes – and ensure that the relevant agreements are set up correctly.

The physical requirements of farm work are also likely to have an effect on other changes to

retirement legislation. With the state retirement age for men and women set to reach 66 by 2020, individuals should be considering saving more into a private pension to ensure they enjoy a comfortable retirement.

This is especially true for farmers and farm workers, who may consider early retirement due to the nature of the job. As it is possible to start withdrawing funds from a private pension at the age of 55, this will provide an income to bridge the gap until state retirement age is reached.

To find out more about how MT Financial Management can help with your pension and retirement planning, please contact us on 01775 717220 or visit www.mtfinman.co.uk.

Timing of capital expenditure

For more information, please contact Chris Wright on 01945 465767



By Chris Wright

As with many things in life, timing is a key consideration when it comes to expenditure, as this will determine the period in which relief will be given and, where there is a change in regime, the rules that apply.

As the Annual Investment Allowance (AIA) is set to drop from £100,000 to £25,000 from 31st March 2012 for companies and 5th April 2012 for sole traders/partnerships, getting the allowance in the wrong tax year could be costly.

The general rule is that capital expenditure is deemed to be incurred on the date when the obligation to pay becomes unconditional. This rule applies whether or not payment is actually made on a later date.

The relevant date will generally be determined

by the terms of the contract but, where payment is required on or within a specified period from delivery, the obligation is deemed to become unconditional when the asset is delivered.

An exception to the general rule is where the credit period for payment after delivery exceeds four months. In this case, the expenditure is incurred when payment is actually made.

Expenditure on plant and machinery which is incurred before the commencement of trade is deemed to be incurred on the first day of trading. However, the actual date is relevant for the purposes of the annual investment and first year allowances.

Where payment is made in installments, some of which are more than four months after delivery, each installment is considered separately. Payments incurred within four months of delivery are treated as being

incurred on the date of delivery. Any amounts payable more than four months after delivery are considered as having occurred on the actual date of payment.

In terms of hire purchase contracts that are finalised, capital allowances can be claimed by the lessee as long as the contract is accounted for as a finance lease and the assets are used for a qualifying activity, even if this occurs outside the UK.

Capital expenditure on a hire purchase contract that is incurred before the asset is brought into use for the purposes of the trade is deemed to be incurred as soon as there is an unconditional obligation to pay for the goods. All other capital expenditure is deemed to be incurred when the asset is brought into use for trade purposes.

If you would like further advice or information on the timing of your expenditure to make the most of capital allowances, please contact us.

A brighter future for pig producers?

For more information, please contact Bill Creasey on 01775 711333



By Bill Creasey

Struggling pig farmers may be thrown a lifeline as support grows for an Early Day Motion (EDM) requiring supermarkets and meat processors to pay them a just amount.

While pork processors and retailers made £292 million of profit in the 12 weeks to the end of January 2011, pig farmers lost £35 million, mainly due to the rising costs of feed. As a result, farmers are losing £21 on each pig they produce, while having to watch retailers offer hard-hitting promotions on imported pork.

The EDM noted that if the current situation was allowed to continue, it would have "a devastating effect on jobs in rural communities".

There is further light at the end of the tunnel for pig producers, as the latest Market Trends and Outlook report from BPEX showed that demand for pig meat has already increased in the UK and is set to rise globally in the next few years.

The report also noted that the UK is in a good position to export pig meat to countries outside the EU, such as Russia and the Far East.



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- ◆ Taxation planning
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- ◆ Land transaction planning
- ◆ Tax legislation
- ◆ Property transaction planning
- ◆ New ventures and diversification

GM crops are key to human survival, says top scientist

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By Andrew Heskin

New and controversial technologies including genetic modification, cloning and nanotechnology need to be embraced by European politicians and the public in order to meet the demands

of a rapidly-rising global population, according to a government report.

The document, entitled *The Future of Food and Farming*, warned that food prices could rise by 50 percent in real terms in the next 40 years unless action was taken to boost production.

It said the current system of food production was not working as the industry focused on mass production techniques that damaged the environment and left over a billion people worldwide malnourished, while a further billion suffered health problems because of obesity.

Furthermore, the problem is likely to get worse as the population rises and agricultural land becomes scarcer because of climate change, environmental degradation and the growth of cities.

The government's chief scientific adviser Sir John Beddington said that, while technologies such as GM had caused concern in the past, it would be difficult to justify not using them to feed the world's population.

Britain does not currently grow any GM crops on a commercial basis, but experts believe its farmers could be growing GM potatoes and sugar beet within five years and wheat within ten years if seeds were licensed.

However, environmental campaigners disputed the findings of the report, with Friends of the Earth arguing that the long-term effects of eating GM produce were still unknown.

Genetically modified food in Europe:

- ◆ Only two GM crops can legally be grown in the EU at present: a GM maize strain, MON 810, authorised for commercial cultivation in 1998, and a GM starch potato known as Amflora, which was approved for cultivation and processing last March.

- ◆ More than 20 other requests for authorisation of GM products are currently ongoing.
- ◆ Cultivation of the GM maize strain has been banned by the national governments of Austria, Hungary, France, Germany, Greece and Luxembourg. Austria, Hungary and Luxembourg also prohibit cultivation of the Amflora potato, while Poland prohibits the marketing of all GM seeds.
- ◆ By contrast, farmers in Spain are currently growing around 80,000ha (198,000 acres) of GM produce.



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