The Farm Consultancy Group

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David Bardgett LTD

For All Round Business Success

Welcome to our 88th edition of the newsletter. Included in this months newsletter are articles on the new financial year 2018/19, reducing your workload, commodities updates, new greening rules for 2018, reducing your tax bill, dairy farm energy consumption, and on farm mixing licences.

Your feedback and comments are most welcome. If clarification is required, please contact the article contributor or for more articles and news visit **www.fcgagric.com**.

Edited by Gerard Finnan of David Bardgett Ltd and The Farm Consultancy Group Tel: 07976 426420.

The New Financial Year 2018/19 - Rachel Reed

On 6th April 2018, the new pay rates, tax codes and pension contributions come into being.

Some payroll packages update automatically, others require you to update the figures, so it's vital to check the pay rise, codes and pension rates are correct before running the first payroll after 6th April 2018.

The following changes will come in for the new financial year with regards to the minimum wage, tax codes, workplace pensions and income tax bands.

Minimum Wage increases on 6th April 2018.

For over 25 years old **£7.83** per hour
For 21 to 24 year olds **£7.38** per hour;
For 18 to 20 year olds **£5.90** an hour;
For 16 to 17 year olds **£4.20** an hour
Apprenticeship rate **£3.70** an hour

HM Revenue & Customs

2018/2019 tax code is **1185L for all employees unless you receive a notification from HMRC with a different code.**

Workplace Pension contributions are going up to the following rates:

	The minimum employer pays	Employees pay	Total minimum contribution
Now	1%	1%	2%
From April 2018	**2%**	**3%**	**5%**
From April 2019	3%	5%	8%

If you have any queries relating to your payroll or any of the other changes regarding the new financial year, please contact Rachel Reed on 07980 294816 or at rachel-reed@fcgagric.com

Inside this issue:

Can You Work 20 Hours Per Annum Per Cow? - Phil Cooper

Do you know how many hours you work in a year? How does this compare to your peers? Is your work rate good or bad, efficient or not? These are key questions you should be asking yourself when assessing your business and its efficiency. With increasing demands on business owners, time not just from within the business, but also from the family, focusing on reducing the hours you spending working has to be key.

The top dairy farmers are spending around 20 hours per annum per cow. This includes all tasks, both physical and financial / technical. So for every 100 cows that is 2000 hours.

So how do they achieve this? These are some key areas that the top 5% focus on:

- Simple grass based systems, not necessarily spring calving, but focusing on maximising output from grazing and grass silage.
- Focus on fertility, large amounts of time are wasted spotting cows bulling for the second, third, fourth time, not to mention the extra time serving them and the extended lactation requirement additional management time.
- Look at your cow flow both around the buildings / parlour and around the farm. Imagine it from a cows' point of view. How can you reduce time wasted waiting for cows to move or chasing cows into the parlour?
- In a recent survey 33% of a farmers time is spent milking cows, what can you do to speed things up?
- Interestingly, farmers with larger numbers of staff appear to work better as there is peer pressure in relating to completing tasks.
- Having a simple system that does not rely on one particular member of the team to operate. Could you go away for two weeks and be confident the farm would run at the same level as if you were there?

Like with all things, each farm is different with its own limitations. These should however, not be used as excuses for not changing and improving. Reducing your work load by half an hour per day can gain you seven extra days per annum, that's a holiday!

If you would like to look at your system and opportunities to create more time and improve your lifestyle, please contact Phil Cooper on 07798 673665 or at pcooper@fcgagric.com

Commodities Update (02/02) – Andrew Jones

In the last month the pound has strengthened slightly against the euro and strengthened more against the dollar.

The latest Global Dairy auction (16/01) saw an overall gain of +4.9%, with every product offered at the auction seeing a rise in price. Some of this rise is due to the lack of product being offered by New Zealand due to a drought there.

Milk Powder - Prices have held for this month. Forecast prices decrease for February hasn't happened.

Feed - Mineral prices are still volatile with our standard minerals rising between 30-50% and no real easing of these prices expected until autumn. Soya prices have strengthened but otherwise the market is stable, and expected feed price decreases haven't materialised.

Fertilizer - CF have updated their prices for Feb / Mar with no changes. Urea has eased just slightly and again I'm told, P & Ks can expect an increase in price.

One of our suppliers says that versus this time last year they are down on orders. Is this because people brought Nitram early last year, or just holding off and so once silly season starts it will be even more intense that usual? I'd suggest you get your orders in sooner than later to ensure you get what you want, when you want.

For up to date prices and quotes, please contact Andrew Jones on 07717 442888 or at andrew@davidbardgett.co.uk

New Greening Rules for 2018 - Sophie Cahill

Below are the main changes to the greening rules for the Basic Payment Scheme for 2018:

1. The use of Plant Protection Products on EFA Nitrogen fixing crops EFA fallow land and EFA catch and cover crops is now completely banned. This ban applies to seed dressings, and from the time of sowing the crop until harvesting.
2. EFA Hedges – this now includes trees in a line. The EFA value of the hedge will remain the same.
3. EFA Buffer Strips – this option will now include field margins, as well as buffer strips. The minimum width of 1 metre continues. The EFA value of field margins will be the same as the value of EFA buffer strips
4. EFA Catch Crops – Must be maintained for 8 weeks minimum, from 20th August 2018, until at least 14th October 2018. The EFA cover crops period remains from 1st October to 15th January of the following year.
5. Crop Diversification – you will now be able to declare areas of ‘mixed crops’, that contain ‘small areas of different crops grown next to each other’. They are each less than 0.01ha and so would be too small to claim, but can now be claimed together.
6. EFA nitrogen fixing crops – you will now be able to use mixtures of different nitrogen fixing crop species, and mixtures of nitrogen fixing crops and other crops as long as the nitrogen fixing crop is over 50%.

During The EFA fallow period:

1. Application of manure and / or fertiliser is not permitted.
2. Cultivation of land for weed control is not permitted.
3. Sowing of grass is only permitted if specifically required under a Pillar 2 scheme.

Rural Payments Agency

For your BPS & Greening queries, please contact Sophie Cahill on 07496 587011 or at sophiecahill@fcgagric.com

Reducing Your Tax Bill – Phil Cooper

I recently attended a joint family meeting with one of my clients and their accountant. Over the years the business has grown and is now making considerable profits, which naturally lead to higher tax bills. The business structure has not however, kept up with the increases in profitability and still has only two partners, both of whom are paying 40% tax on some of their profit share this year.

Solutions range from forming a company, to investing in capital items that could attract 100% capital tax allowances but only if there is a sound economic reason, with the tax saving being a bonus, to paying teenagers for actual work carried out on farm, to pension contributions etc. The key is to plan ahead and know where business profits are headed with good management accounts, a farm budget in place and some expert interpretation from your accountant or farm consultant.

In this case the answer was as simple as introducing two new partners into the business and altering the share of profits between the partners. Doing this meant that all the 40% tax was eliminated without having to spending on any capital items. This did not require any new forms of accounting or fees, just an adjustment to the partnership agreement.

Now is the time of year to be looking at your tax bill. If you have management accounts, you should be able to take the actual nine months from April to December and combine this with a budget for three months to give you a guide to profitability for the year ending 31st March 2018. This will allow you to make decisions now that could help reduce your tax bill.

If you are facing higher tax bills, have you looked at the simple solutions without getting complicated or spending money unnecessarily? If not, then act now so that changes can be implemented for the coming tax year. Talk to your accountant, or contact Phil Cooper on 07798 673665 or at pcooper@fcgagric.com

Dairy Farm Energy Consumption – Gerard Finnan

With oil prices at a three year high, electricity prices are on the increase by as much as 30% quoted for farm contract renewals, it is an opportune time to review best practice, work out where you use the electric on your farm and ascertain how efficient this use is.

On a dairy farm milk cooling uses 31%, heating water uses 23% and milking uses 20% of electric consumption. The target electric bill should be 0.45 ppl with a minimum of 40% off peak (potential to be as high as 55%). How do you compare?

A plate cooler to precool milk prior to entering bulk tank is a given with a quick return on this investment. You need 2L water to cool a litre of milk. A high flow rate is required, not a large plate cooler, to be efficient. Variable speed milk pumps are the most efficient.

Below are the relative costs of heating water using different systems. Ensure time clocks are set correctly and if using electric heating system, make sure that the element is maintained lime deposit free in a hard water area.

Water Heating (£/100 Litres)	
Day Electric	1.75
Night Electric	0.88
Oil	0.58
Gas	0.79

When prices are hiked, the natural reaction is to focus on the market and try and control the uncontrollable. It is much easier and productive to look closer to home and ensure the more expensive electric is being used wisely. Would your business benefit from an energy audit and see where savings can be made to counter the more expensive electric?

For further information, contact Gerard Finnan on 07976 426420, or Andrew Jones on 07717 442888, for details of a local electricity broker. A 200 Cow Dairy Farmer just saved £800 on a 24 month contract by changing supplier.

On Farm Mixing Licences - Andrew Jones

Do you mix your own feed on farm? Do you have the right mixing licence for the farm? Do you mix any premixtures or feed additives (R10 licence) or mix any compound feeds containing premixtures or feed additives (R11 licence)?

These products include vitamins & minerals, urea, and propionic acid (when used as a feed preservative). If you have a mixer wagon on farm that you only use to mix forages, then you need a different licence (R13) than if you are mixing any of the above-mentioned products.

I have become aware recently, of a few farms that have failed an inspection by trading standards because they have had the wrong licence.

If you'd like a copy of either the FSA (Food Standards Agency) or the Red Tractor regulations for On Farm Feeding, please contact Andrew Jones on 07717 442888 and he will email you a copy.

Food Standards Agency
food.gov.uk

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