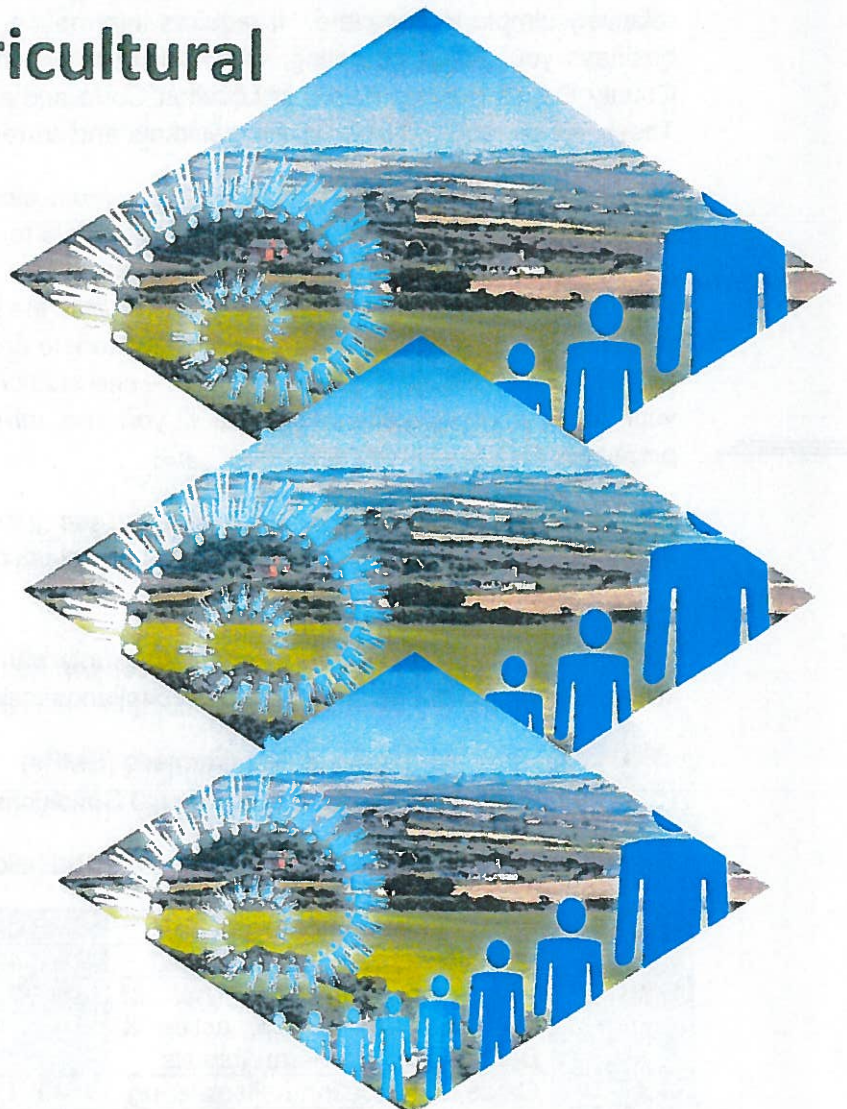


# The Scottish Government's New Entrants to Farming Programme



## Guidance Note: Starting Up An Agricultural Business

- Registering
- Recording
- Rules



This programme is funded by the Scottish Government  
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## **Starting Up An Agricultural Business**

There are various and specific rules and regulations that must be adhered to when keeping farm livestock and managing land. This guide aims to compile many of these requirements and useful links to further detail.

### **Register your business**

You must register your holding with Scottish Government Rural Payments and Inspections Division (SGRPID). This can be done online ([www.ruralpayments.org](http://www.ruralpayments.org)) or by contacting your local RPID office and completing a registering a business form (PF01). The form is relatively simple to complete. It requires information about you, your land and the type of business you will be operating. Your business will then be allocated unique identification, County Parish Holding (CPH) or Location Code and a Business Reference Number (BRN). These will be required when moving animals and corresponding with RPID.

If you intend or are keeping livestock, you must also register with the Animal and Plant Health Agency (APHA). Again, this is very simple to do. It requires details about you, the type of animals you are keeping and the land. You also need your Location Code when registering with APHA, so you must firstly register the business with RPID. Registering with APHA allows for a unique flockmark or herdmark to be allocated to you. These are required for animal identification, required by law – see sections below. You must also register with your local council/trading standards if you are mixing feed stuff for livestock on your premises.

You may also wish to voluntarily register and join industry bodies such as a quality assurance scheme, high health schemes for livestock or farmers union.

### **Compliance Measures**

Farmers and land managers must legally comply with various cross compliance measures. There are two main measures of cross compliance including:

- Statutory Management Requirements (SMRs)
- Good Agricultural and Environmental Conditions (GAECs)

There are 13 SMRs in total, these are summarised below.

SMR 1	Nitrate Vulnerable Zones	SMR 2	Conservation of Wild Birds
SMR 3	Conservation of Flora & Fauna	SMR 4	Food & Feed Law
SMR 5	Restrictions on the use of Hormonal or Thyrostatic action & Beta-agonists in Farm Animals	SMR 6	Pig Identification & Registration
SMR 7	Cattle Identification & Registering	SMR 8	Sheep & Goat Identification
SMR 9	Prevention & Control of TSE's	SMR 10	Restrictions on the Use of Plant Protection Products
SMR 11	Welfare of Calves	SMR 12	Welfare of Pigs
SMR 13	Welfare of Farmed Animals		

Full details of all of the SMRs are available of the Scottish Governments website ([www.ruralpayments.org](http://www.ruralpayments.org)). This note will concentrate on SMR 6, 7 and 8, identification and registering of pigs, cattle and sheep. These regulations are intended to improve traceability and likelihood of spreading disease. They are required by Scots law and are essential for animal health and food safety.

### **Pig Identification and Registering**

You must register as a keeper of pigs with APHA within 30 days of first keeping pigs. Pigs must be identified, a holding register must be kept and all movements must be notified.

- **Identification**  
Pigs must be identified with either an ear tag, tattoo or slapmark, showing your unique herd number.

- **Holding Register**  
You must keep a separate register for each holding you use. The register must contain the following information

Keeper Details including CPH number	Date animals moved
Address and CPH of location moved from	Address and CPH of location moved to
Number animals moved	Each identification

The information must be recorded within 48 hours of a pig movement occurring. A stock-take of pig numbers on the holding should be recorded in the holding register annually.

The online 'ScotEID' database is an excellent tool for managing pig movements and also provides a useful holding register. It is free to use and requires a simple registration to get you started. The holding register must be kept for a minimum of 3 years from the last entry and be available for inspection as required.

- **Movements**  
All pig movements must be recorded in your holding register and notified prior to the movement taking place or on the day of the movement. These movements can be notified electronically via the ScotEID database or by telephone or writing to ScotEID. The keeper receiving the animals must confirm delivery of the pig(s) within 3 days of their arrival.
- If keeping 2,000 pigs over 30 kg or more or 750 places for sows or more, you must apply for a Pollution, Prevention and Control licence through SEPA.

## Cattle Identification and Registering

At Calving	Keep Records up to Date (order tags in plenty of time before calving)	
Tagging	<b>Beef Calves</b> Double tag by <u>20 days of birth</u> <b>Remember update records within 30 days of birth</b>	<b>Dairy Calves</b> One tag within <u>36 hours of birth</u> , second tag within <u>20 days of birth</u> <b>Remember update records within 7 days of birth</b>
Passport Applications	Apply before <u>27 days of age</u> – remember to apply barcode label, sign and date passport Passports should arrive within 7 days (electronic applications) or 14 days (paper applications)	
Movements	Report to BCMS within <u>3 days</u> all 'on' or 'off' movements – markets and slaughter movements done automatically Movements include – private sales, shows, between separate herds, between holdings (unless a link is set up with CTS) <b>Remember to apply barcode label, sign and date passport</b> <b>Remember to Update Records within 36 hours of movement</b>	
Deaths	Report death and return passport to BCMS within <u>7 days of death</u>  Animals over 48 months of age ..... New style (one sheet) passports (CPP52) ..... Cheque book passports (CPP13) ..... Old (blue/green passport and COR) .....  <b>Remember to complete death details on passport, apply bar code label, sign and date</b>	Contact collector within 24 hours Leave Cut off Strip (TSE) with Carcass (in plastic bag) Leave a Movement Card with Carcass Leave a Movement Card with Carcass  <b>Remember to Update Records within 7 days of death</b>
Lost or Illegal Tags	Replace within <u>28 days</u> of when loss or damage is noticed Animals born after 01/01/1998 – replace with original tag ID Animals born before 01/01/1998 – either replace with original tag OR double tag with new ID, let BCMS know new ID, return old passport (CPP1) and certificate of registration (COR) to BCMS <b>Remember to update records within 36 hours if new ID used</b> (should be able to cross reference with old ID)	
Farm Records for Cattle	Minimum Required is - Ear Tag ID, Date of Birth, Sex, Breed, Dams ID, All Movements, Date of Death, Replacement Tag ID Records should be kept for 10 years	



You must be a registered keeper of cattle and all cattle must be registered on Cattle Tracing System (CTS). Herd registers can be kept on farm software packages, your own management sheets or red and blue herd books. You must register as a keeper of cattle with APHA within 30 days of first keeping cattle.

### Sheep and Goat identification

As with pigs and cattle, you must register as a sheep or goat keeper with APHA within 30 days of first keeping sheep and notify all holding numbers where you keep sheep. There are three main recording elements:

- Identification

All sheep must be tagged by the time they reach 9 months of age or when they leave the holding of birth (unless there is a concession). Sheep must be electronically identified, there are four types of sheep tag that can be used as well as other forms of identification e.g. bolus.

Type	Tags
Full EID	Two tags, one electronic, one visual. Matching numbers including UK flock number and unique sequential number <b>All sheep over 12 months old</b>
EID Slaughter	One single electronic tag Showing only the UK flock number <b>Only sheep under 12 months old</b>
Replacement Red Full EID	Replacements for purchased animals
Replacement Red Slaughter	Replacements for purchased animals

\*\*EID (Electronic Identification)

If any tags are lost they must be replaced within 28 days of discovery.

- Holding Register

You must keep a separate register for each holding you use. Once you register as a sheep keeper you will receive an "orange book" as well as a movement book. The "orange book" is the holding register and contains the following

- Record of Replacement ID
- Record of Identification
- Continuous Register

All tagging and re-tagging must be entered in the identification records. All moves on and off the holding as well as deaths must be recorded in the continuous register. Every year you will receive a Sheep Annual Inventory from the Scottish Government, this must be returned showing the number of sheep you have on the holding at a given time. This number should then be entered into your continuous register and updated on every entry.

- Movements

Movements must be recorded for all sheep unless under a concession. The movement form should be completed fully with all sections being completed including haulage details and food chain information. Individual identifications of all animals should be recorded on the document or attached in another form. All sheep sold through a market or abattoir in Scotland will have their tags read, these will be uploaded on to the ScotEID database, which you can access. Sometimes read rates can be poor, it is advised to read all your own tags and record before they leave the holding.

## Keeping Poultry

There is no requirement for registering as a poultry keeper unless you own/manage over 50 birds (including chicks). Once you own/manage 50 birds or more you must register your premises on the Great Britain Poultry Register. This must be done within one month of being in possession of the birds, online or by paper, this is relatively simple to do. If you keep poultry on a number of premises, each premise must be registered on a separate form. If 40,000 poultry places are farmed, you must apply for a Pollution, Prevention and Control licence through SEPA.

Poultry includes the following:

Chicken	Turkey	Duck	Geese	Partridge
Quail	Pheasants	Pigeon (meat)	Guinea Fowl	Ostriches
Emus	Rheas	Cassowaries		

## Recording

Once you register as a keeper of livestock and/or a land manager you should receive numerous documents from the Scottish Government that will require attention. These include:

- Sheep Annual Inventory – compulsory to return stating number of sheep on holding.
- December and June Census Returns – twice a year compulsory agricultural census
- Single Application Form – to receive a Basic Payment from the Scottish Government you must complete a Single Application Form on an annual basis.

Additional records you may need to keep as a livestock keeper/land manager are:

- Nitrate Vulnerable Zone Records
- Nutrient Management Plan
- Spray Records and Inventory
- Medicine Records and Inventory
- Financial Records
- Feed use Record
- SEPA licences e.g. waste, irrigation, Pollution, Prevention and Control etc.

## Getting Further Help

Rules and regulation requirements can depend on your location, farm type and chosen enterprises. There is detailed guidance on the Scottish Government website for all compulsory agricultural legislation. It is advisable to speak to your local RPID office or an agricultural consultant to ensure you are keeping the correct records and adhering to legislation.

## Sources of Assistance:

Contact your local RPID office at <https://www.ruralpayments.org/publicsite/futures/topics/contact-us/>

Animal and Plant Health Agency - <https://www.gov.uk/government/organisations/animal-and-plant-health-agency>

Cross Compliance Details -

<http://www.gov.scot/Topics/farmingrural/Agriculture/grants/Schemes/Crosscompliancesection/ccompliance>

Scottish Government Guidance on Livestock Identification and Traceability -

<http://www.gov.scot/Topics/farmingrural/Agriculture/animal-welfare/IDtraceability>

Cattle Tracing System - <https://www.gov.uk/cattle-tracing-online> and

<https://secure.services.defra.gov.uk/wps/portal/ctso>

Cattle Movement Guidance - <https://www.gov.uk/guidance/report-and-record-cattle-movements>

ScotEID sheep movement details - [https://www.scoteid.com/scoteid/sheep\\_guidance](https://www.scoteid.com/scoteid/sheep_guidance)

ScotEID pig movement details - [https://www.scoteid.com/scoteid/pig\\_guidance](https://www.scoteid.com/scoteid/pig_guidance)

ScotEID – [www.scoteid.com](http://www.scoteid.com), phone – 01466794323

Pollution, Prevention and Control Regs - <http://www.sepa.org.uk/media/162852/sepa-s-standard-farming-installation-rules-how-to-comply-incorporating-ppc-application-guidance.pdf> and

<http://www.legislation.gov.uk/ssi/2000/323/contents/made>

Registering poultry - <https://www.gov.uk/guidance/poultry-registration>

Statutory Management Requirements (SMRs) -

<https://www.ruralpayments.org/publicsite/futures/topics/inspections/all-inspections/cross-compliance/detailed-guidance/statutory-management-requirements/>

Good Environmental and Agricultural Conditions (GAECs) -

<https://www.ruralpayments.org/publicsite/futures/topics/inspections/all-inspections/cross-compliance/detailed-guidance/good-agricultural-and-environmental-conditions/>

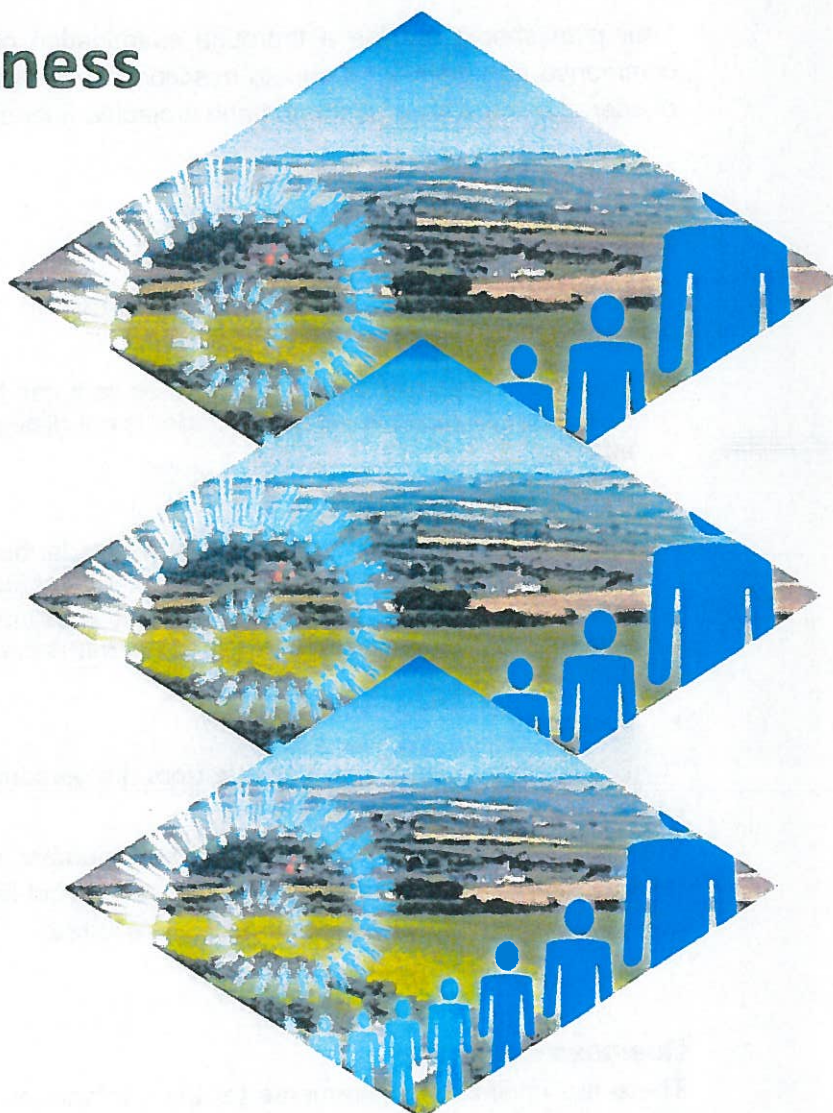




# The Scottish Government's New Entrants to Farming Programme



## Guidance Note: Starting Up In Business



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## **Starting Up In Business**

Having made the decision to be your own boss there are a number of factors to consider before trading begins.

### **The business plan**

The business plan is the key to success. If you need finance, no bank manager will lend money without a sensible plan.

Your plan should provide a thorough examination of the way in which the business will commence and develop. It should describe the business, product or service, market, mode of operation, capital requirements and projected financial results.

### **Business structure**

There are three common types of business structure:

- **Sole trader**

This is the simplest form of business since it can be established without legal formality. However, the business of a sole trader is not distinguished from the proprietor's personal affairs.

- **Partnership**

A partnership is similar in nature to a sole trader but because more people are involved it is advisable to draw up a written agreement and for all partners to be aware of the terms of the partnership. Again the business and personal affairs of the partners are not legally separate. A further possibility is to use what is known as a Limited Liability Partnership (LLP).

- **Company**

The business affairs are separate from the personal affairs of the owners, but there are legal regulations to comply with.

The appropriate structure will depend on a number of factors, including consideration of taxation implications, the legal entity, ownership and liability. For further information please see separate guidance note on business structures.

### **Business stationery**

There are minimum requirements for the contents of business stationery, both paper and electronic, which will depend on the type of business structure.

### **Books and records**

All businesses need to keep records. They can be maintained by hand or may be computerised but should contain details of payments, receipts, credit purchases and sales,

assets and liabilities. If you are considering purchasing computer software to maintain your records, obtain professional advice.

## **Accounts**

The books and records are used to produce the accounts. If the records are well kept it will be easier to put together the accounts. Accounts must be prepared for HMRC and if a company is formed there are strict legal requirements as to their layout.

A company and a LLP may need to have an audit and will need to make the accounts publicly available by filing them at Companies House within a strict time limit.

## **Taxation**

When starting in business, taxation aspects must be considered.

- **Taxation on profits**

The type and rate of taxation will depend on the form of business structure. However, the taxable profit will normally differ from the profit shown in the accounts due to certain expenses which are not allowed for tax purposes and the timing of some tax allowances. Payment of corporation tax must be made online.

- **National insurance (NI)**

The rates of NI contributions are generally lower for a sole trader or partnership than for a director of a company but the entitlements can also differ. In a company, it may be possible to avoid NI by paying dividends rather than salary.

- **Value added tax (VAT)**

Correctly accounting for VAT is an essential part of any business and neglect may result in a significant loss.

When starting a business you should consider the need to register for VAT. If the value of your taxable sales or services exceeds the registration limit you will be obliged to register. It can often be beneficial for agricultural businesses to register for VAT before you reach the statutory threshold so that VAT can be reclaimed on purchases.

## **Employing others**

For the business to get off the ground or to enable expansion, it may be necessary to employ staff.

It is the employer's responsibility to deduct income tax and national insurance and to account for student loan deductions. The balance must then be paid over to HMRC. Payroll records should be carefully maintained.

You will also need to be familiar with employment law. (For further information, please see separate guidance note on 'Employing People'.



## **Insurance**

Comprehensive insurance for business motor vehicles and employer's liability insurance are a legal requirement. Other types of insurance such as public liability, consequential loss, business assets, Keyman and bad debts should be considered.

## **Pensions**

Putting money into a pension scheme can be a way of saving for retirement because of the favourable tax rules.

The latest reforms, under Pensions Act 2008, have brought about a new requirement on UK employers to automatically enrol all employees in a pension scheme and to make contributions to that scheme on their behalf. Enrolment may be either in to an occupational pension scheme or the National Employment Savings Trust (NEST).

Compliance with the new regulations will take effect for the largest employers first, starting from 2012.

## **Getting further help**

Whilst some generalisation can be made about starting up a business, it is always necessary to tailor the strategy to fit your situation. Any plan must take account of your circumstances and aspirations.

Whilst business success can never be guaranteed, professional advice can help to avoid some of the problems which befall new businesses. Taxes have specific rules and reliefs which apply to specific trades such as agriculture and it is advisable to seek the advice of accountants who specialise in this area. It is also advisable to take advice on the financial records you need to maintain or employ the services of an experienced book-keeper.

## **Sources of assistance:**

Registration for taxes can be done online by visiting HMRC website [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

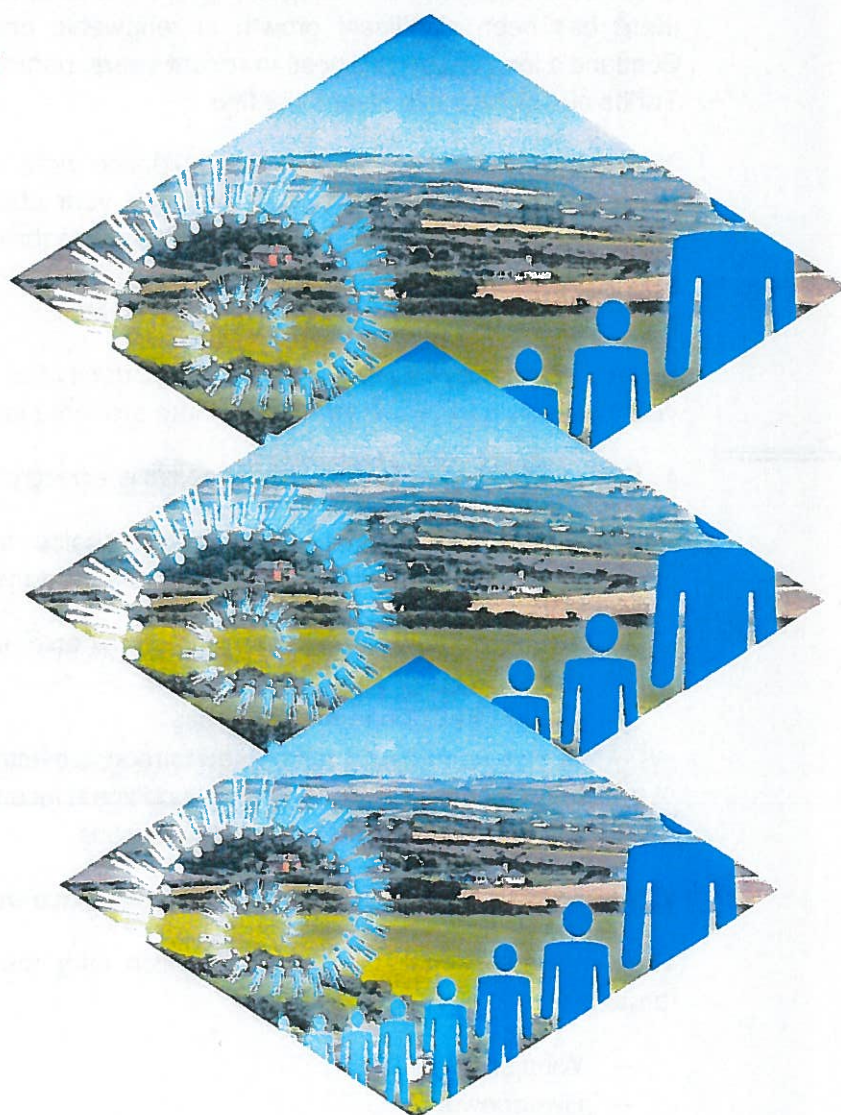
HM Revenue & Customs also gives advice on starting your own agricultural business at [www.hmrc.gov.uk/courses/syob/farm/index.htm](http://www.hmrc.gov.uk/courses/syob/farm/index.htm) and this gives guidance on how to register yourself and business for tax, national insurance, PAYE, VAT, etc as required.

*This guidance note was prepared by Robin Dandie, Head of Agriculture at Johnston Carmichael chartered accountants [www.jcca.co.uk](http://www.jcca.co.uk).*

# The Scottish Government's New Entrants to Farming Programme



## Guidance Note: Renewable Energy Opportunities



This programme is funded by the Scottish Government  
as part of its New Entrants to Farming Advisory Activity.

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## **Renewable Energy – the opportunities?**

The main incentive for new and young entrants is a profitable business which provides good opportunities for business growth. Whilst there has been interest in, and uptake of, farm diversification opportunities for some time, there has, in recent years, been significant growth in interest in renewable energy opportunities and the potential for growing non-food crops.

The range of type and scale of possible diversification, renewable energy and non-food crop projects is extensive and tends to be limited by the market opportunity and natural resources of the business. Estimates suggest that almost 50% of farm businesses have diversified and there has been significant growth in renewable energy (small and large scale) across Scotland's land based business in recent years, particularly since the introduction of Feed-in Tariffs and Renewable Heat Incentive.

As a new entrant to farming, this guidance note will help you start to identify which technology will best fit with your farm and your objectives. Confirming whether or not a renewable technology will be economically and technically viable on your farm will require a detailed and thorough appraisal. You may find independent expert advice useful in this process; for complex projects this will be essential.

Renewable energy offers an excellent opportunity but only if it is carefully planned to fit with your business and your farm! Firstly, there are three important questions for you to consider:

### **1. Why should you invest in renewable energy?**

Renewable energy can be an excellent choice for farmers seeking a diversification opportunity. The key benefits of renewable energy to your business are:

- An opportunity to generate a sustainable income for up to 20 years through Government incentives;
- Makes use of on-farm resources;
- Energy generated can be used to reduce electricity and heating bills on-farm, and the excess can be sold to generate additional income; and
- Reduction in emissions of carbon dioxide.

### **2. Which renewable energy technologies are suitable for farms?**

The renewable energy technologies which offer the best diversification opportunities for farms are:

- Wind energy
- Hydropower
- Biomass
- Solar photovoltaic

### **3. What are your objectives for considering renewable energy?**

Each renewable energy technology has different characteristics which will influence whether or not it is suitable for your farm. You need to carefully consider what your objectives are and



what you want out of a renewable energy installation. The following factors are important to consider before deciding which renewable energy technology option(s) you wish to investigate:

- How much capital do you have access to for investment?
- What is the scale and pattern of your energy demand?
- What resources do you have available on your farm?
- How much risk are you willing to take?
- How important is it to you to purchase locally?

More in-depth information can be found at [www.sruc.ac.uk/renewableenergy](http://www.sruc.ac.uk/renewableenergy).

## **Incentives for Renewable Energy**

### **Feed-in Tariff**

- Designed to encourage the installation of small scale (up to 5 MW), low carbon electricity production.
- Makes a payment of every unit of renewable electricity produced. The FIT Scheme pays two types of tariffs:
  - Generation tariff: Payment made for every unit of electricity you generate.
  - Export tariff: Payment for every unit exported to the electricity grid.

### **Scottish Renewable Obligation Certificates**

- Designed to encourage the installation of large scale renewable electricity production.
- Accredited renewable electricity installations are issued with Scottish Renewable Obligation Certificates (ROCs) for the electricity generated on a monthly basis.
- Electricity suppliers have an obligation to generate a given number of ROCs. If they do not meet their obligation, they must buy ROCs from other parties.
- Renewable electricity suppliers can then trade their ROCs with these energy suppliers.
- For the majority of farm-scale renewable electricity installations the FIT tariff will be the preferred option.

### **Non-domestic Renewable Heat Incentive**

- Designed to encourage the installation of renewable heat technologies. It makes a payment of every unit of renewable heat produced.
- The scheme is open to non-domestic properties or domestic properties on district heating schemes (it is not open to single domestic premises).
- A farmhouse on its own would be classed as domestic, unless business rates are paid on all or part of the property (e.g. because it is substantially used as a B&B).

**A Domestic RHI for single domestic premises is expected to open in summer 2014!**

## **Technologies – Summary Comparison**

### **Wind Energy**

Key benefits	<p>High financial returns with little input once operational.</p> <p>Long-lasting and robust technology; turbines will last in excess of 20 years.</p> <p>Require a small footprint of land which means that agricultural land loss is minimal.</p>
Main issues	<p>High risk – upfront costs can be considerable with no guarantee of gaining planning consent, i.e. submission of a planning application for a single medium to large scale wind turbine can cost upwards of £25,000.</p> <p>Grid connection costs may be significant and are dependent on the distance to the nearest connection point, line capacity and any upgrades needed. This cost may result in a project not being economically viable.</p> <p>Adverse impacts on the surrounding environment – careful assessment needs to be conducted to ensure any impacts are minimal and this would be addressed through the planning process.</p> <p>Wind flow is not constant and varies in force and with the seasons. There will be times when no electricity is produced at all.</p> <p>Wind energy may be a controversial option depending on the location and opinion of local communities.</p>

### **Hydropower**

Types of technology	<p><i>Storage based:</i> rainfall and surface drainage water is stored behind a man-made dam and then released to provide a constant, or demand-based, flow of water to the turbines to generate electricity.</p> <p><i>Run-of-river:</i> water is taken out of a stream, then fed downhill in a pipe and returned to lower down river via a turbine.</p>
Key benefits	<p>Annual energy output and seasonal variation is relatively predictable, varying with annual rainfall patterns.</p> <p>Slow rate of change e.g. the output power varies more gradually following a rainfall event than output from a wind turbine does as wind speed changes.</p> <p>Good correlation with demand i.e. output is maximum in winter.</p> <p>Low environmental impact when installed on a suitable site.</p> <p>Long-lasting and robust technology</p>

Main issues	<p>Environmental impact – storage based systems can have a significant ecological impact due to the effect of the dammed water course on the surrounding environment. SEPA guidance requires the quantity of energy produced to be sufficient to justify any negative environmental effect to the watercourse and therefore sites with shallow falls may not be suitable.</p> <p>Locating a suitable site – it can be difficult to find a site with all required characteristics, including both sufficient head and year-round water flow.</p> <p>Grid connection costs may be significant and are dependent on the distance to the nearest connection point, line capacity and any upgrades needed. This cost may result in a project not being economically viable.</p>
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## Biomass

Types of technology	<p>There are several types of biomass boiler:</p> <ul style="list-style-type: none"> <li>• Woodchip boilers.</li> <li>• Pellet boilers.</li> <li>• Log boilers.</li> <li>• Straw boilers.</li> <li>• Multi-fuel (e.g. straw and logs, log and pellet).</li> </ul>
Key benefits	<p>Fuel bill savings – price per kWh for biomass fuels is usually significantly lower than oil, LPG or electricity</p> <p>Biomass boilers produce water at the same temperature as conventional fossil fuel boilers, so there is no need to change your existing wet heating systems.</p> <p>Technically and financially viable on almost any farm.</p> <p>Generally no external barriers to installation e.g. if required obtaining planning permission is usually relatively straight forward.</p> <p>Tried, tested and efficient technology.</p> <p>No specific resources are required on-farm, only a heat demand.</p>
Main issues	<p>Poor design and installation – can lead to systems which do not function efficiently.</p> <p>Poor design of the fuel store – can lead to inefficient and expensive deliveries.</p> <p>Mismatch of boiler fuel requirements to the type and quality fuel available locally.</p> <p>Poor fuel quality – issues such as high moisture content, contaminants or out of specification particles, will lead to a variety of problems.</p>



## Solar Photovoltaic

Types of technology	<p>There are several PV systems that can be used:</p> <ul style="list-style-type: none"><li>• Solar panels retrofitted onto building roofs.</li><li>• Solar tiles and slates integrated into roofs (usually new build).</li><li>• Ground mounted solar panels.</li></ul>
Key benefits	<p>Easy to install and can be retrofitted to existing infrastructures.</p> <p>Require minimal maintenance.</p> <p>Very few external barriers to installation.</p> <p>Short lead time from feasibility to installation.</p>
Main issues	<p>Intermittent electricity generation – entirely dependent on weather and seasons. Times of electricity generation may not match the times of your electricity demand.</p>

### **For further information on renewable opportunities please go to:**

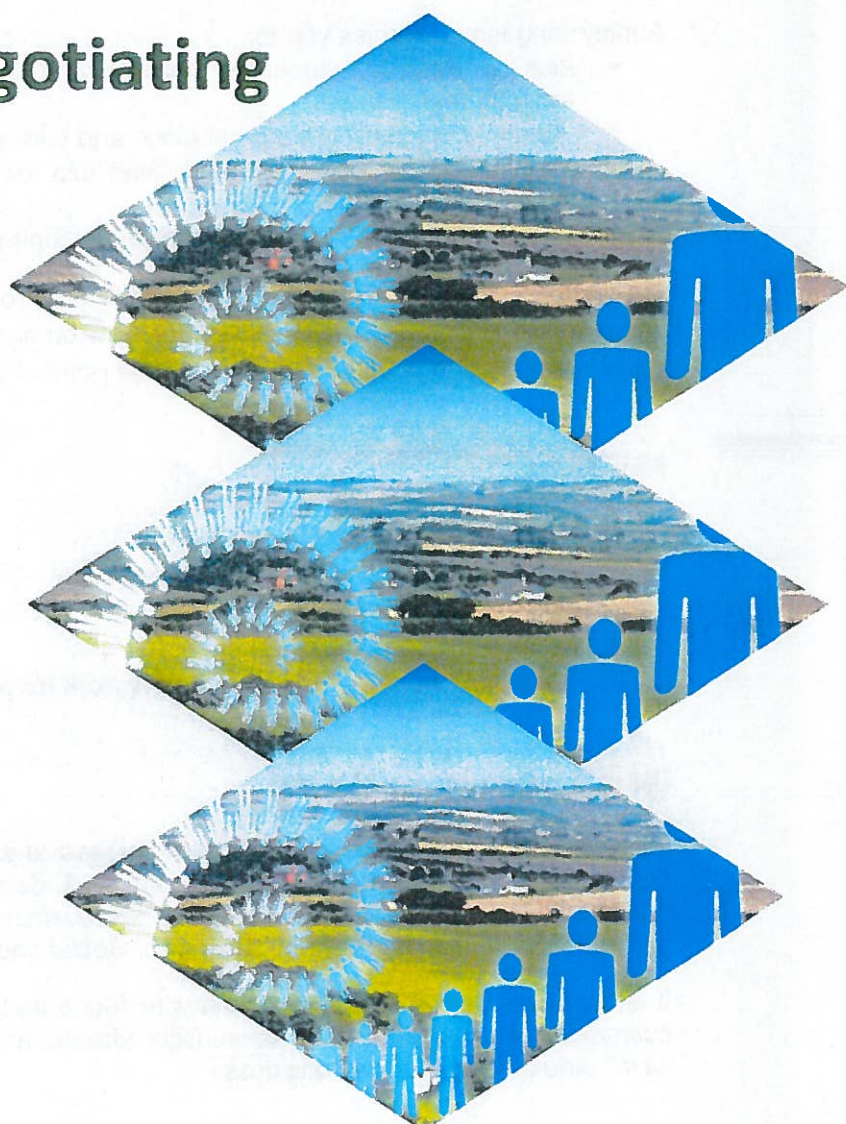
[www.scotland.gov.uk/energy](http://www.scotland.gov.uk/energy)

[www.sruc.ac.uk/renewableenergy](http://www.sruc.ac.uk/renewableenergy).

# The Scottish Government's New Entrants to Farming Programme



## Guidance Note: Marketing and Negotiating



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## **Marketing**

Marketing is about going to the market to identify what it wants rather than just changing something you already make. This might require a complete change of attitude and the ability to turn your focus 180 degrees. It is about building a profitable business based on real customer needs ie producing something the customer needs, finding the right customers and building a good relationship. Marketing, therefore, covers a very broad range of business activities and is much more than just sales and promotion.

### **The Benefits**

A marketing focus enables you to:

- look at what is happening outside your business and your immediate trading environment
- identify changes in the market place and take advantage of them before others do
- identify real opportunities rather than just focussing on the same things and same ways of doing things
- to improve communication and co-ordination throughout your business

Adopting this approach will increase your control of your business and reduce its vulnerability to changes in your business environment. It makes you look at yourself and your business from an objective and external point of view.

### **Key Steps**

1. Find out what's going on out there
2. Establish where you are / your business is
3. Do some research
4. Decide what you can do
5. Put it into practice – make marketing work for you

### **What's going on out there?**

External factors will always affect your business and whilst these factors are outwith your control, it is important to understand them and identify any opportunities they offer your business. One simple way of looking at the business environment is to list factors under simple PEST headings: Political, Economic, Social and Technological.

It is important not to be too narrow in your focus and to consider the environments of your customers and suppliers, how these might change and what would be the knock-on effects which would influence your business.

### **Where am I, where is my business?**

To start to implement marketing in a practical sense you must first critically assess and understand your current situation. Take a critical look at your business and its products or service. Think about your Strengths, Weaknesses, Opportunities and Threats. This is called



a SWOT analysis and is a snapshot of the current situation and will need to be revisited from time to time.

When completing the SWOT analysis consider a number of things including resources, communication, input costs, customers and rate how good you are in relation to each of them. Being objective and honest is critical. It can also be useful to get an outsiders point of view to check the accuracy of your own perceptions.

Identifying Opportunities and Threats involves looking at outside your business and asking yourself what opportunities or hurdles your business faces now and what might occur in the future.

### **What research should I do?**

Gathering relevant information about your market can be formal or informal, expensive or virtually free. You can collect a lot of useful information yourself. The benefit of market research is that it helps you avoid costly errors such as putting time and effort into a business proposition that will not work. It also encourages you to keep an eye on the market at all times, and adapt to change. Market research helps you define:

- your target market
- customer behaviour associated with your product(s)
- the customer needs which your product satisfies
- your competition

Before carrying out any market research, ask yourself what will the results be used for, in other words, what decisions you hope to take when you get the information you are looking for. This will help to ensure that the questions you ask are the right ones.

### **What will my business be?**

Before you start decide what your target market is and ensure you have found out enough about it. If you are finding it difficult to decide which market to target, find out more about your options and then decide. Alternatively you can take it in stages. Start by targeting one market and then slowly expand into other markets.

As you build your business make yourself aware of what each of these new markets want and try to satisfy as many of their requirements as possible in your initial business proposition. There will usually be minor changes to be made when moving from one market to another but costs can be saved by taking a longer term view at the outset.

Defining your product is essential if it is to meet the needs of your target customers. Look at your product through your customers' eyes. Ask yourself why customers would want to buy your product. This will affect how you market your product to ensure it appeals to the purchaser. If you are trying to sell this product to a prospective customer you must be able to explain exactly what you are trying to do by launching the product and what market opportunity you are taking advantage of. The information collected through market research will help you to develop your product and its marketing.

## Implementing my plans

Now that you have identified where you are and gathered information to help you decide what to do you need to consider the opportunities available to you in more detail. You are trying to identify something that will give you a competitive advantage, something that differentiates your product from the rest of the competition. You must set yourself objectives that consider: the current status of your product range; your target market; and what assumptions you are making.

You have four major options with regards to strategic direction:

		Product	
		Current	New
Market	Current	Trying to increase your product's presence in markets already supplied. <b>PENETRATION</b>	Developing new products for your markets already supplied. <b>NEW PRODUCT DEVELOPMENT</b>
	New	Approaching new outlets with your product range. <b>EXTENSION</b>	Diversifying by developing new products for new markets? <b>DIVERSIFICATION</b>

Figure taken from Ansoff's Growth / Vector Matrix

You can choose to develop a Strategic Marketing Plan - a statement of your intention to achieve a specific result and how you intend to do this.

Successful products and businesses are those that have created a competitive advantage, that is, a distinctive benefit that they offer but which other products do not have. If your business is one that allows you to set the price for your product then think carefully. Pricing is an important part of your marketing strategy, it is a crucial determinant of profit and can radically affect sales volume.

Your research will have shown you what promotions currently go on in the market, what your target customers prefer and what your key competitors are doing. Think carefully about what you are trying to achieve and set yourself objectives.

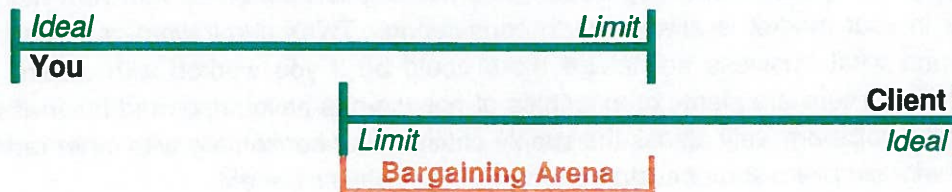
Agree a timescale for your marketing activities and think about the control mechanisms and ways of measuring your performance. As you implement your plan monitor progress against your objectives and budget. This will enable you to quickly identify areas where you are falling behind and the reasons why. Take steps to remedy the situation and get back on schedule.

## Negotiating

Negotiating is about compromise. It's about achieving a mutually acceptable deal. To negotiate you need to be able to say 'no' and remember you can always walk away, but equally you must also be in a position to be able to say 'yes' to the right deal.

The process of negotiation requires the parties involved to move from their ideal positions to a position that is acceptable to both. The diagram below shows that two people will have

different ideal outcomes and also limits beyond which they cannot go. The area of cross over is where a deal can be struck and is known as the Bargaining Arena.



It is important to prepare for any negotiation. Be clear about what you want to achieve and gather information that will be useful such as facts about the market / product / service you are negotiating about and what is important to the person / business you are negotiating with. Think about how you will handle different responses from the person you are negotiating with. This preparation will help you to be proactive rather than reactive, thereby making you stronger and helping you get a better deal.

When you meet with the person / business the initial discussion is important. This presents an opportunity for you to gather information and test any assumptions you have made. Think carefully about how you come across, avoid emotional behaviour which can give information about your position. It is important to listen more than you talk. During the discussion listen to the words used as they tell you if the person is willing to move on a specific point or if they are unhappy about a specific issue. Start to offer conditional solutions using 'If' as your price tag. For example "*If you would consider .... then we might .....*". Think creatively, think about what the other person is interested in and when making any concessions think about their value to the other person. Ask yourself:

1. What is the concession worth to them?
2. What does it cost me?
3. What do I want in exchange?

When you are bargaining with the other person never give anything away for free, because no matter how little it may cost you they might see it as more valuable. Remember: "*If you ..... then I .....*". If there are lots of different issues on the table then link them so you can trade them and use them as bargaining chips.

Once you feel you've reached the best deal you are likely to achieve then bring the negotiation to a close. Ensure the close comes across as credible and remember to summarise everything that has been agreed.

### **Hints and Tips:**

#### **If you're buying / selling something.....**

- Think about your strategy
- List the features and benefits of what you're trying to buy / sell
- Write down the steps of your purchasing / sales plan



## **Cooperatives**

Co-ops play an important role in agriculture and working collaboratively with your neighbours or others in your market is always worth considering. Think about what you are trying to achieve and what business advantage there could be if you worked with others in your supply chain. There are plenty of examples of how co-ops have supported businesses and how working collaboratively across the supply chain, either horizontally with other farmers, or vertically with suppliers and/or customers can bring business benefit.

## **Key Contacts**

<b>Scottish Government:</b> Fraser Dryburgh, Food, Drink & Rural Communities Division, T:0300 244 9290. E: <a href="mailto:fraser.dryburgh@scotland.gsi.gov.uk">fraser.dryburgh@scotland.gsi.gov.uk</a>	<b>SAC Consulting:</b> Douglas Bell, Agricultural Policy Unit, T: 01555 662 562. E: <a href="mailto:douglas.bell@sac.co.uk">douglas.bell@sac.co.uk</a> <a href="http://www.sac.co.uk">www.sac.co.uk</a>
<b>Business Gateway:</b> Edinburgh, T: 0131 529 6644. E: <a href="mailto:bglothian@bgateway.com">bglothian@bgateway.com</a>	<b>SAC Food &amp; Drink:</b> David Lamb, T: 01224 711 250, E: <a href="mailto:food@sac.co.uk">food@sac.co.uk</a>
<b>Scottish Enterprise:</b> Glasgow, T: 0845 607 8787, E: <a href="mailto:enquiries@scotent.co.uk">enquiries@scotent.co.uk</a>	<b>Scotland Food and Drink:</b> Ingliston, T: 0131 335 0942 <a href="http://www.scotlandfoodanddrink.org">www.scotlandfoodanddrink.org</a>
<b>SAOS:</b> Ingliston, T: 0131 472 4100 E: <a href="mailto:saos@saos.coop">saos@saos.coop</a>	<b>Scottish Manufacturing Advisory Service:</b> Bellshill, T: 0845 607 8787 E: <a href="mailto:scottishmas@scotent.co.uk">scottishmas@scotent.co.uk</a>
<b>Skills Development Scotland:</b> Glasgow T: 0141 285 6000, E: <a href="mailto:info@skillsdevelopmentscotland.co.uk">info@skillsdevelopmentscotland.co.uk</a>	