

New Entrants to Farming Programme

Planning for the Future



**Farm
Advisory
Service**

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Following the successful FAS roadshow on Planning for the Future in winter 2018, we have gathered the key take home messages from a range of the speakers.



“Succession planning is vital to ensure the smooth transition of a farm business from one generation to the next. The succession issue is often allowed to drift by many farm businesses since it can be an uncomfortable topic to address. It may involve difficult conversations amongst family members and difficult choices between people who work closely together. If handled correctly and at the right time it can provide certainty for the longer term and increase motivation and enthusiasm for the next generation.

The business owner should as early as possible develop a forward thinking approach about the longer term position of the business and engage a professional advisor in the process. This should provide an independent and objective viewpoint to help guide discussions to assist with the smooth running of the process. This allows for tax planning aspects to be considered as part of the overall plan particularly in relation to inheritance and capital gains tax.”

David Young, Senior Audit Manager, William Duncan & Co, Ayr



“It was a great pleasure to have the opportunity of speaking to farming families across the length and breadth of Scotland as part of the Farm Advisory Service’s series of events “Planning for the Future”. Farming businesses are in the main family businesses and although every business is unique in a family business the family dynamic can often make for very closely aligned interests and values but it can also bring additional complexity and sensitivities. It is vital that families plan for the future and succession planning is a key part of that. However, that can become a complicated juggling act trying to preserve the viability of a family farm for the benefit of the next generation whilst also adequately looking after the interests of family members who aren’t in the business. The last thing that families should do is leave these issues to one side and not discuss and address them. Part of the toolkit to achieve this is to have a properly thought out Will in place. If the business is conducted as a partnership a modern up to date Partnership Agreement is also essential, in particular to deal with how a partner who is retiring or is otherwise leaving the business as their interests in the business valued and paid out. The key to success is to discuss, plan and implement!”

Hamish Lean, Partner, Shepherd and Wedderburn, Aberdeen



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“Whether you are looking to retire or get into farming, facing succession issues or trying to grow your business, there is a joint venture model that can be adapted to suit your needs and help secure your future. But before embarking on a joint venture there are two key things to remember: firstly be honest with yourself, what are your realistic aspirations for the business, and where could a joint venture help achieve those aims; and secondly, yes, you’ll have to share the profit in a joint venture, but crucially you’ll also share the risk – having that extra head and pair of hands can be worth sharing a bigger reward.

Share farming provides an opportunity for a close working relationship, extensive flexibility, and a method for simultaneous stepwise retirement and growth. Contract farming is well understood and increasingly common across all sectors as it allows farmers to retain tenure while outsourcing operational activities on clear agreed terms. Common in many farming families, Partnerships are great for formalising succession, and they can be used anyone to set a business on a sound footing. Tenancies provide a number of options to potential landlords and tenants, with clear rights and responsibilities for both parties backed by legislation – where new entrants are involved the Modern Limited Duration Tenancy (MLDT) offers extra flexibility. Short term leasing and licensing is a low risk option for landowners if managed properly, and can give a new entrant a foot in the industry or allow a progressing farmer room for growth.

Every farm and farmer is different, and there’s no such thing as the perfect model, but by understanding what the options are – and getting some good advice – the only real limit is your own initiative.”

James MacKessack-Leitch, Policy Officer, Scottish Land Commission



“Share and Contract farming opportunities offer a dynamic, fluid tool kit to allow new, developing and expanding business the chance to grow with relative freedom within existing legislation. These chances also allow more established businesses the chance to refocus on other work streams, maintain core assets or to wind up in a stepwise fashion for the retirement of critical work force. From my own experience these opportunities can be a complete business game changer for those who are willing to work constructively with other like minded businesses. With the useful tools such as the NFUS Joint Venture Hub I see these opportunities expanding throughout Scottish agriculture.”

Mark Donald, Former Chair of NFUS Next Generation Group and New Entrant



“It’s never too early to plan for succession. Start by talking to each other and identify what each generation actually wants from succession, look at the business – what is the current position, ownership, borrowing levels, etc. and be honest about these. When talking be fair, have a set agenda and look to having an independent advisor present to time keep, ensure the discussion is on track and mediate if required.

There are numerous professionals who should be consulted including your banker, accountant and solicitor when choosing the right route for your business. This may include options such as retirement, split ownership, joint venture agreements, change of business direction, provisions for those not involved in the business, living arrangements, tax, etc.

Planning and communicating is key.

Kirsten Williams, SAC Consulting, Turriff