



**Dairy directions – what are your options?**

This is the final article in our series that set out to examine the possible routes for producers who are looking to build and manage a dairy business that's better equipped to survive – and thrive – in an increasingly volatile economic climate. Here we look at strategies if you're looking to exit the industry.

**Introduction: Take stock/assess**

**Part 1: Improving efficiency**

**Part 2: Economies of scale**

**Part 3: Diversification**

**Part 4: Exit strategies**

Is it time to get out? Then have a planned strategy and take your time, say two leading consultants, to make sure that you limit stress and maximise success.

text **Rachael Porter**

Sometimes, having considered all the options, the best decision is to exit the industry, to sell the herd and move on. But it is still important to plan the move carefully to make it as successful – and painless – as possible. So says Promar regional manager Emma Thompson, adding that there's never a right or wrong time to leave the industry. "Individual farm and personal considerations and circumstances have a major bearing on the process, but several factors will contribute to how smooth the exit will be," she says. "The crucial thing is not to rush to sell up. It is vital to plan any exit carefully – be it for retirement or a change of direction. And it is definitely a case of 'act in haste, repent at leisure'."

Mrs Thompson says the first step is to make sure all the stakeholders in the business understand and support the decision, pointing out that it will be a time of considerable strain on all concerned.

"They need to understand the decision, the implications of it, and the plan. Farm Consultancy Group's Charles Holt agrees: "Talk to you family and your advisors – particularly your accountant and, if you have one, your land agent. It's important to 'take everyone with you' on this journey, particularly if it's a complicated business set up.

"A sounding board is vital – it may even be a friend or



*Emma Thompson: "It's crucial not to rush to sell up – plan carefully and take your time"*

# Planning is key to maximising Act in haste,



asset value and minimising stress

# repent at leisure



## It's good to talk

Exiting the industry could well be the last resort for some businesses, after a long struggle in an increasingly volatile market place. And some producers may feel that they've been defeated or have failed in some way. Many, particularly those who are forced to give up dairying due to financial pressures, will undoubtedly be suffering from the stress and strain that comes from running a struggling business and then being faced with winding it down. Having someone to talk to, who truly understands what you're going through, can be a huge help.

The Farming Community Network (FCN) has strong and established links with the farming community and agriculture throughout England and Wales. Its volunteers are all farmers, or are associated with farming, and understand the problems facing agriculture today.

The people at FCN know how interconnected the farm business and household are and have helped thousands of farmers with business, family or health problems.

If you'd like to talk to someone, in confidence, call 03000 111999 or email [chris@fcn.org.uk](mailto:chris@fcn.org.uk).

someone else outside the business. But it's important to talk – and not only about planning an exit, but also what you're going to do next. That may be retirement or it may be an alternative career. Stress is a big factor too, so don't be afraid to talk to someone – like the Farm Community Network – if you're struggling.”

When it comes to the financial 'nitty gritty', accountants are best placed to help producers to minimise their tax liability and land agents should offer advice on when is the best time – and how – to give up rented land or a tenancy. And when is the best time of the year to sell.

Mr Holt remembers a client who sold his herd and moved to arable production.

“He instructed his land agent to negotiate with his landlord re his tenancy and got a decent pay out to leave the farm – more than he anticipated – because he had a secured tenancy agreement with quite a long time left to run. His son didn't want to take on the herd and he decided to sell up.

“An agent will be aggressive, more than a sitting tenant



*Charles Holt: "Talk to your family and advisors and 'take everyone with you'"*



would be, in their negotiations. But they are also fair. You are more likely to get a better deal if you get a professional involved and it will certainly be money well spent.”

### Future plans

Mrs Thompsons adds that timing will depend on several factors: “The aim is to maximise the value of all the assets being sold, including the cows. So talk to auctioneers early in the process to decide when it is best to sell the cows.

“For a block calving herd it may make sense to sell them as dry cows, or it may be better to sell as fresh calvers. Do you want a whole-herd dispersal or to draft cows out during an extended period?”

Timing will also depend on whether the producer is a farm owner or a tenant. She stresses the importance of checking the tenancy agreement as this will specify both the notice period and specific dates on which a tenancy can be terminated. For owners, there are issues about selling the land or developing other enterprises.

“Once you know when you can quit, you can plan back from there. It makes sense to sell the stock around a month before you are due to leave the farm, because this gives you a few weeks to tidy up and sell machinery and so on. It also adds some slack in case of unanticipated events. If the tenancy ends at the end of September, for example, then consider selling the cows in July.”

Mr Holt says that timing will very much depend on the individual system – what’s appropriate for a more extensive set up may not be what’s best for a more intensively managed herd. And if you’re a farm owner then timing will also differ compared to tenant producers. There could be a little more flexibility. It may be that you’re staying on the farm and it’s a matter of selling the herd, young stock and any dairy equipment, fixtures and fittings.”

### Be prepared

Mr Holt says that preparation is key, whatever set up and system you’re ‘winding down’. With regards to the cows, there needs to be a final day – a day when you sell them all and milking stops. And the farm/equipment sale can be held after that, once the livestock have left the unit.”

As part of the planning process, Mrs Thompson says that it is also essential to decide on what life will look like after farming. “Decisions will need to be made on where you will live and, potentially, on a new career. It can be all too easy to get wrapped up in winding up the herd and to lose focus on what comes next. But it is vital to sort out your own future home and what your next career move will be. It is essential to be realistic about the income you’ll need.

“In farming businesses a significant proportion of living costs, such as running a vehicle, electricity, water,

council tax and so on, are carried by the business. Once the business is sold they will need to be funded from income.

### Well-structured plan

“If you’re looking to buy a house, what proportion of the released capital will be invested in bricks and mortar and when will it be available? Will a short-term loan be required or will you rent short-term until funds are released?”

Mrs Thompson believes that a well-structured plan can play a crucial role in ensuring that all angles are covered and that any unexpected issues can be accommodated. “As part of the plan, make sure the business’ advisors are involved. While a consultant can help develop the plan itself and the required budgets, it will be important to keep the bank involved so they are aware of how loans, for example, will be repaid.”

“The accountant will also have a major role to play, looking at all the tax implications and tax planning to ensure the maximum proportion of the released capital is retained.”

“Once the plan is developed stick to it, but be prepared to react as circumstances develop. The advantage of a well thought out plan, which is supported and understood by all the stakeholders, is that everyone has a shared vision and deviations from the plan can be costed. There shouldn’t be any nasty surprises.” |