

*The notes presented below are the formal record of the Defra round table meeting attended by David Caffall on the 24<sup>th</sup> February 2017. The views expressed are not those of AIC and are provided to support members developing their own views.*

**Notes of the DEFRA farming roundtable 24<sup>th</sup> February 2017**  
**Minutes of the meeting: Access to Finance and Risk Management.**

## **ACCESS TO FINANCE**

### **Issue - Is it an issue?**

- Not really, except in some sectors. New entrants with low levels of assets have a problem. Tenants (without land as security) may struggle.
- Some farmers are not very good at asking for finance; if banks do not have an agricultural manager it can be difficult.
- BPS, plus land values, provides security – may need transitional assistance if Brexit effects this.
- Are there alternatives other than mainstream banks? Is that a supply or a demand issue – if farmers do not look elsewhere for finance then it is not provided?

### **Solutions**

- Education - New entrants and younger businesses more likely to look at other sources e.g. crowd funding/venture capitalist funding.
- Commodity finance – but can we get it to farm-gate level? Public/private approach to tackle this.
- New technologies – bank takes a while to get confidence in this, risk is higher. Room for some initial support from govt to help this: renewable energy and feed-in tariffs was a good example. EIB model where the govt stands behind the bank to provide low cost financing.
- Supply chain finance - Supply chain finance already exists – livestock, feed.
- Improved business planning capabilities – link training to access to finance.
- Share farming – should govt have a role to facilitate this as in NZ, helping people get access to finance to enter this.
- Investment in infrastructure - supply chains, processing capacity, knowledge transfer, to increase efficiency and help reduce volatility.
- Not just the research – getting people together to solve the problems.

## RISK MANAGEMENT

### Issues:

- General issue of long term production cycles but fluctuations in both costs of inputs and prices obtained for outputs.
- Different sectors have different issues; need flexible solutions.
- Need clarity on what we are trying to achieve nationally: security of food supply, environmental benefits or profitable farming businesses.
- Need the right balance of public/individual business investment in risk mitigation.
- Involve private sector but be aware that there can be lack of continuity with some private sector solutions (they can pull out if scheme does not show potential for profit)
- Financial: farm businesses often have low reserves to start with.
- CAP and basic payment provides certainty; things will be more uncertain post-Brexit.
- Brexit creates more uncertainty: government agricultural policy; trade position; land values.
- Relentless cost management; how to balance this with constant supply.
- Futures markets are difficult to achieve. Need to consider at what point forward contracts become futures markets.

### Solutions

- Better business management skills to be able to manage costs and prices better.
- Focus on customer – identify what customer wants, could be low prices; quality food; animal welfare, and make clear link with this.
- Vertical supply chains; long term end to end relationships – see what is out there at the moment (ONSCO model v interesting in vertical integration/farmer cooperation and how they work together).
- Exports - Increase/diversify so less dependent on domestic market.
- New models for releasing equity – not just bank loans.
- Tax – put some away without paying tax and can draw down later; something more than tax averaging and capital allowances, build up a fund so can invest at appropriate time rather than being driven by capital allowance availability. Could potentially be in the form of an ISA.
- Insurance schemes, esp against disease, look at flood insurance.
- Succession, get younger people involved at farm level, pull the knowledge base up.
- Counter-cyclical payments; a blunt instrument; might be needed as a short term transitional measure post-Brexit. A lot of the market protection measures need data, price reporting data – market prices etc. Need to think about this in transition.
- Diversification – tenant farmers cannot do this, due to contract wording.
- Competition law: may be opportunities for more flexibility post-Brexit.
- Other countries - look at what other countries are doing.