

FARMERS REMAIN CONFIDENT DESPITE SUBSIDY UNCERTAINTY



With one third of local farmers not making a profit in any of the last five years if subsidies were removed from their accounts, it is perhaps not surprising that only one third of the farmers questioned in a recent survey thought that if Brexit meant that subsidies would no longer be paid to farmers, then that would be a good thing.

The results of our firm's confidential survey of local farmers, principally in Fife, also indicated that the main concern for farmers just now is evenly split between Brexit issues and current day to day challenges, both polling around 40% of the vote each. In third place was succession issues which accounted for 12% of main concerns.

Our firm analysed farmer results over the past five years and compared those results to the previous five-year analysis carried out in 2011. The results are not

encouraging. In the five years to 2011, 17% of farmers made a profit each year if subsidies were excluded. In the recent benchmarking survey, this percentage had fallen to 13%, whilst half of local farms in the sample either did not make a profit in any of the last five years when subsidies were excluded or only did so in one of the last five years.

The position is even worse if profits are reduced by a modest 'salary' of £15,000 for each working partner to take account of living expenses. If subsidy payments are eliminated from farm accounts and, as a result, the farm breaks even, the 'actual' trading position will be worse than break even because the farmer will be withdrawing funds to cover personal bills and living expenses. Once that adjustment is factored into the results, only one in twelve (8%) of farms analysed made a sufficient profit to cover the farmer's living costs in each of the last five years if subsidies were excluded.

Subsidy payments are consequently critical for the survival of most local farming businesses. It is difficult for farmers to plan in the run up to 2020 given the uncertainty over the amount of subsidy to be paid. When asked the question 'what percentage of your current subsidy do you expect to be receiving in 2020 if there is no change in the Sterling/Euro conversion rate over that period?', respondents were very evenly split between bandings under 50%; 51% - 75% and over 75% with almost a third falling into each category. Clearly there is no consensus in this area and uncertainty prevails. The Government therefore needs to act as quickly as possible to give some certainty to farmers over how much subsidy will continue to be paid to farmers over what is, a relatively short period of time.

Farmers are far from confident that the full basic payment will be paid to them by 31 December this year with only 11% thinking that would be the case.

Despite the uncertainties over Brexit, subsidy payments and day to day challenges, only 30% of respondents felt less confident about their future compared to how they felt before the Brexit vote. But then again, 70% of those completing the survey were aged over 50, and therefore presumably have already successfully managed to resolve just as difficult issues over the last thirty to forty years and survived.