

## PLUNKETT CONFERENCE

## Board member to farmer director with new scheme

A NEW scheme to turn dairy co-op board members into world-class farmer-directors is due to be launched next year.

The Plunkett Foundation, which specialises in advising farmer-controlled businesses, is due to launch a pilot programme in November before rolling out the full version in 2003.

The Milk Group Farmer-Director Development Programme, partly funded by DEFRA, aims to produce decision-makers capable of making English milk groups more competitive in today's global market.

"Assessment shows that the main needs (for directors) are better strategic thinking and planning, understanding financial information and legislation, and improving communication skills," Richard Moreton, chief executive of the Plunkett Foundation, told the conference.

Co-ops played far less of a role in UK agriculture than in Europe, he added. ■

## Restructuring rewards keep farmers keen to lift capital

By Robert Harris

FARMER-controlled businesses looking to raise capital should think carefully about how to do so to avoid storing up trouble, a leading Dutch adviser has warned.

Frank van Bekkum, of the Netherlands Institute for Co-operative Entrepreneurship, told the Plunkett Conference at Meriden, Warwickshire, this week, that growth strategies, including processing investment, involved huge sums that needed the support of the whole membership.

As such, financial packages needed to be attractive and provide a good return, he said. "If we are thinking about going up the added-value ladder, then we have to seriously think about restructuring the rewards we give to farmers," said Mr van Bekkum.

"Otherwise, the moment one person offers a better price,

they'll go. They will also be unwilling to invest, and will be disinterested in the decision-making process."

A key requirement would be to make new members pay a joining fee to avoid upsetting existing members who may have invested considerable sums. "Don't give them a free ride — it will affect current farmer investment."

**Capital incentives**

Companies should also ensure that farmers receive price benefits and residual profits, rather than increasing general reserves year after year. A structure should also be built to ensure that co-op members received the full benefit of their investment, including increased company worth.

"Capital incentives need to be performance-based," said Mr van Bekkum.

For example, New Zealand giant Fonterra operated a "Fair Value" scheme in which the com-

pany was independently valued each year, and the total was divided by the number of shares. This gave a just return on investment for those wishing to leave — and a reasonable price for those wishing to join.

"I have doubts about any processor approaching farmers asking them to invest cash. Farmers want to be sure they have residual control and the rights to residual surpluses."

Farmer-controlled businesses should also avoid issuing shares to non-farmers, who were simply interested in returns on their investment.

"These are not people who are supportive in the long run. They want profits. This can create tensions between farmer-shareholder and entrepreneurial interests."

It might be simpler if co-ops simply decided not to buy expensive plants, said Mr van Bekkum. "It might be better to wait until processors tire of the industry then kick them out." ■

# Tax Planning for Farm and Land Diversification

Julie M Butler FCA, Butler & Co.

With contributions from: Withers; PROvision; The VAT Consultancy; Thomson's

## Do you know:

- valuable tax reliefs could be lost if the business structure is wrong?
- how easy it is to ensure genuine business usage and generous tax reliefs?

If you or your client is a landowner, venturing into farm and land diversification to try and achieve a commercial return whilst benefiting from associated tax reliefs and you have been asking yourself these questions, then you need *Tax Planning for Farm and Land Diversification*.

## Highly accessible!

*Tax Planning for Farm and Land Diversification* has been written to offer practical help and guidance to ensure that tax planning opportunities are used to their maximum, helping farmers and landowners through this often complicated process. It is a pragmatic and strategic guide, written in an accessible and user-friendly style.

## Tax Planning for Farm and Land Diversification covers:

- Protecting the tax status of the farmhouse, farm buildings and let buildings
- Planning for VAT
- Maximising the use of losses
- Reluctant farmer and practitioner
- Hobby farming and maximising the use of losses
- Furnished holiday lets
- A look at how to obtain planning permission and how to use tax planning once you have it

## A must have!

If you have farmers or landowners on your client base, *Tax Planning for Farm and Land Diversification* is the ideal guide to ensure that you and your client benefit from the tax planning opportunities associated with this industry.

An essential read for all land agents, landowners, farmers and professionals connected with farming and landowning.



Product code: TPALD  
ISBN: 0 7545 1769 1  
Price: £49.95  
Publishing: October 2002

To order contact our customer services department on tel: 020 8662 2000 or fax: 020 8662 2012

Or write to: Lorna Meakin, LexisNexis Butterworths Tolley, FREEPOST (6983), London WC2A 1BR.

To find out more about the information solutions we offer please visit our customer information site at [www.lexisnexis.co.uk](http://www.lexisnexis.co.uk)



**Tolley**

LexisNexis™  
Butterworths Tolley, 35 Chancery Lane, London WC2A 1EL  
A division of Reed Elsevier (UK) Ltd  
Registered office: 25 Victoria Street, London SW1H 0EX  
Registered in England number 2746621  
VAT Registered No: GB 730 8595 20