Farms and Rural Business Review of the Year 2025

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Introduction

by Ashley Smith, Farms and Rural Business Partner

As I sit down to write this, I naturally look back to reflect on what's happened over the last year. 2025 has been a year of challenge for farms and rural businesses, but there have also been glimmers of opportunities. From market volatility and rising costs to new compliance requirements and sustainability initiatives, the pace of change has been relentless. Yet what stands out most is the resilience and ingenuity across the sector – finding ways to adapt, diversify, and plan for the future.

As an independent East Anglian firm deeply rooted in agriculture, we've spent the last year assisting many of our clients on ways to adapt to the changes: advising on tax and succession, supporting investment decisions, and helping businesses navigate uncertainty with confidence. It's fair to say that there is rarely a 'one-size fits all' solution. Each challenge brings its own unique circumstances, and every resolution needs to be considered in light of the personal and specific situations of each family and business. I am proud of all of our nearly fifty-strong team advising farms, estates and rural businesses as they take the time to get to know you and your businesses and tailor our approach accordingly.

Looking ahead

As we look ahead to 2026, it is somewhat difficult to see how the uncertainty and challenges facing agriculture and rural businesses will get better. Having spent a large part of the past year advising on succession to navigate the new inheritance tax regime, I have been encouraged by the resilience of the sector, and have been pleased to see the younger generation prioritising these changes to make sure the family business is kept together. Whilst we have seen some welcome announcements on relaxations to the proposed inheritance tax changes, we desperately need further detail about how these changes will work in practice. The relaxations have taken the pressure off for some families, but many others will still be impacted and business succession remains a key concern. Although the short-term outlook brings some challenges, I am positive that the longer-term future is bright.

This newsletter brings together the highlights of 2025 and looks ahead to what's coming in 2026. In this issue you'll find:

- Re-cap on the recent Autumn Farming Conference series
- Our people profiles for Ben Lambert and Laura Clayton – insights from two key members of our team
- Further Inheritance Tax changes
- Brown & Co data analysis – exclusive insights from the Autumn Farming Conference series
- Our services and how we can help you – a quick guide to the support available for your farm or rural business

We hope this edition gives you practical ideas and useful updates as you plan for the year ahead. If any topic sparks questions or you'd like to discuss how it applies to your business, please get in touch with your usual contact or with me directly.

With best wishes for a successful and rewarding 2026.

Ashley Smith, Farms and Rural Business Partner

Autumn Farming Conference Series

Post-Budget uncertainty amongst farmers and rural business owners leads to a record attendance at Larking Gowen's 2025 Autumn Farming Conference

With the agricultural sector entering a time of major change, and political decisions made now set to shape the industry for years to come, the 2025 Larking Gowen Autumn Farming Conference attracted over 250 farmers, growers, landowners and agricultural/rural business owners across 4 locations.

Now in its fourth year, this annual event was conceived and is organised by Larking Gowen LLP, a major independent partnership of Chartered Accountants and Business Advisors. One of the UK's top 50 accountancy firms, the firm has six offices across East Anglia. Its Farms and Rural Business division includes a large team of agricultural specialists and is a trusted partner/advisor to farmers, landowners and business professionals responsible for more than 400,000 acres.

Following the Government's announcement that the 2025 Autumn Budget would be on Wednesday 26 November, Larking Gowen decided to move this year's Autumn Farming Conference from its normal November timing into early December to provide delegates with the most up-to-date insights for their farms and rural businesses. The format also changed from a single all-day conference to a series of morning-only seminars at Ipswich, Diss, Fakenham and Norwich, making it easier for them to access practical information and advice from experts in their local area.

The programme was designed to help delegates navigate the agricultural sector's complex and continually evolving economic and legislative landscape, with insights from leading industry experts regarding the latest political developments, IHT mitigation strategies and changes to pensions legislation which will come into force during 2027. It also covered other topics arising from the Budget, together with updates on the Sustainable Farming Incentive (SFI), Environmental Land Management Schemes.

The events were hosted by Bruce Masson and Laurie Hill, Partners in Larking Gowen, who outlined the implications of the changes to Capital Gains Tax (CGT)/Inheritance Tax (IHT) and their impact after 6 April 2026, with examples of how various sizes of business would be affected and ways to mitigate the considerable impact.

Sponsored by Virgin Money, the Autumn Farming Conference was supported by the Country Land and Business Association (CLA), which was represented by Gavin Lane (President), Jonathan Roberts (Director of External Affairs), Susan Twining (Chief Land Use Policy Adviser) and Judicaelle Hammond (Director of Policy & Advice).

The speakers included a team from Ashtons Legal LLP, comprising Jeanette Dennis (Partner), Fenella Eddell (Senior Associate), Ayesha Brown (Partner), Richard Guy (Partner) and Natalie Westgate (Senior Associate). Brown & Co were represented by Bradley Hurn (Partner, Agricultural Business Consultant), Rowley Barclay (Land Agent/Divisional Partner), Peter Cox (Partner, Agricultural Business Consultant), Nick Staton (Land Agent/Senior Associate), Andrew Kitchen (Agricultural Business Consultant/Divisional Partner), Matthew Thompson (Land Agent), Andrew Fundell (Partner, Agricultural Business Consultant) and Anne Barker (Partner, Land Agent). Speakers from the Alan Boswell Group, an insurance and financial planning group, were Brendan Tinney (Financial Planner), Dee Myhill (Senior Employee Benefits Consultant) and Calum O'Donnell (Chartered Financial Planner), with Beckett Financial Services represented by Managing Director Gavin Wood.

At each seminar delegates were asked to complete a Slido poll which asked: 'Were you optimistic for the future of farming in the UK before the budget'. Of those who participated at Ipswich and Norwich the negative responses outweighed the positives by a factor of three-to-one, at Fakenham that figure was double, while at Diss there was an almost equal split between positive and negative responses.

IHT changes are of major concern

Speaking at the Fakenham event CLA President, Gavin Lane, who farms 500 acres at Tittleshall in Norfolk, told the audience:

"The changes to Inheritance Tax (IHT) announced in the budget will be worrying the majority in this room. When Steve Reed (Secretary of State for Environment, Food and Rural Affairs 5 July 2024 - 5 September 2025) answered the question on whether, when in power, the Labour party would change the rules of Agricultural Property Relief (APR) and Business Property Relief (BPR) and said no, they wouldn't, I and most of the CLA took him at his word; especially as it was the headline in the Financial Times the next day. We were therefore somewhat blindsided, as were most farming organisations, when the Chancellor, Rachel Reeves, announced the changes in her 2024 budget.

"However, I hope that we, along with those other organisations, have combined to make sure that the Treasury understand the potential economic and social impacts of this incredibly counter-productive taxation change. But we do need the farming community to be prepared for the changes because, as we stand today, any untimely death after April 2026 could trigger a large tax liability.

"I believe that Defra are aware of how damaging the IHT changes are to their relationship with the farming community and that does, at least, give us some access to ministers where we can try and find some easy policy wins for them to show that they are serious about growing the rural economy. Our biggest ask has been for greater planning reform on farm – an extension of permitted development rights and a relaxation of some of the planning conditions would make a huge difference in our opinion to getting some desperately needed investment into and onto farms. Hopefully, we may gain some ground on this.

"My focus has been and will be predominantly on fighting the IHT changes but now pragmatically I am steering my members to take advice in case no change happens. Elsewhere, we need to shape the new version of the Sustainable Farming Incentive to make it fit for purpose so those coming out of schemes next December plus those who aren't currently in a scheme can get in more quickly and easily.

"Defra is clear that there will be no more money over and above the existing commitment to fund the DEFRA budget at £2.7 billion until April 2029. Given that we estimate around £1.8 billion in existing commitment to those already in schemes there doesn't appear to be much more cash to go at. I am not advocating rushing into schemes, but it is important to be prepared for any new offer which comes up whether a capital grant scheme or SFI. It is also important that those in legacy schemes don't automatically assume that these are going to be extended as was done for Mid-Tier last month. That might not happen again."

Brown & Co underlined that IHT is a challenge which is going to face the whole industry, not only in terms of structuring farming businesses but also how any IHT liability can be financed and serviced. Their take home messages were that change will bring opportunity, but businesses need to produce detailed budgets, including cashflow, review budgets to assess the impact of any decisions whilst planning for different scenarios and implementing ongoing cashflow monitoring. They also stressed the need to consider a detailed business review, prepare future funding and seek professional advice.

Speakers from Ashtons Legal covered the complex issues involved in succession planning and potential ways to minimise any liability. They also emphasised that farming businesses must have access to a trusted team of advisors, including accountants, solicitors, land agents and financial experts. Owners must therefore answer searching questions such as 'who is on your team?', 'what do you have in terms of assets?', 'what is your plan?' and 'what steps can you take'? They also stressed, along with Beckett Financial Services and Alan Boswell, that the 5 April 2026 deadline for making changes means that this an area which needs to be addressed without delay.

Laurie Hill commented: "It was excellent to see the high attendance from farmers, landowners and those operating in the industry across all four of our seminars, with great engagement and questions coming in our Q&A sessions following all the presentations. The content was tailored to cover a multitude of topics with the aim to be informative but also thought provoking for guests to takeaway key snippets to enable them to start succession conversations with their families and business partners."

Larking Gowen
Autumn Farming Conference series

"I thought it was one of the best such conferences I have been to. Good speakers and excellent content for the time."

Mike Fairey
Director of farming and horticultural company Maurice Crouch (Growers) Ltd

£2,000 raised for YANA through Autumn Farming Conference Series

We were proud to welcome Robin Hepburn from YANA to our Norwich offices on 20 January to formally present a cheque for £2,000, raised through our Autumn Farming Conference Series.

The total fundraising figure included £1,200 generated from ticket sales, alongside additional partner donations from ourselves and event partners Alan Boswell, Ashtons Legal and Beckett Financial Services.

Robin Hepburn expressed his sincere thanks for the donations, explaining how the funds will be directed towards YANA's life-saving work. This includes Mental Health First Aid training with a focus on suicide prevention, counselling services, and initiatives designed to build greater understanding of mental health challenges across the farming community and rural businesses throughout East Anglia.

We are extremely proud to support YANA and look forward to continuing our relationship, helping to drive awareness, education and long-term positive change across the rural sector.

Profile:
Ben Lambert

Ben Lambert's enthusiasm for numbers and problem solving was evident from an early age and culminated with his recent promotion to the role of Manager in Larking Gowen's Farms and Rural Business Team. Based at our Norwich office, he advises a wide range of clients on issues which include partnership and statutory company accounts, as well as business and personal taxes for both compliance and advisory engagements.

Educated at Framingham Earl High School, Ben went on to complete his A levels at the City of Norwich School, graduating in 2011. Rather than follow what for many would be a natural progression and head off to university, he decided to forge a career as early as possible by studying accountancy. A key benefit of this path was that on-the-job training provided immediate exposure to the profession, and meant that he could qualify in five years.

Born and raised in Norwich, Ben gained his Association of Accounting Technicians (AAT) Level 3 and 4 Intermediate Diploma in 2013, then went on to qualify as an Associate Chartered Account (ACA) three years later. Despite not being from a farming background he worked in Larking Gowen's Farms and Rural Business Team, became a Senior Accountant and subsequently Assistant Manager.

After more than a decade with the firm, in November 2021 Ben decided to experience different aspects of his chosen profession by joining one of the UK's largest corporate restructuring and financial services specialists in the forensic services team. Initially employed as a Forensic Services Executive, two years later he was promoted to Assistant Manager, based in Norwich. In this role he gained valuable experience in business valuations, quantum claims, financial investigations, and matrimonial/shareholder disputes, working for a range of experts as well as part of the corporate finance and specialist tax teams.

Preferring the nature of work offered in general practice and advisory, Ben rejoined Larking Gowen in June 2025, where his skills in financial accounting and reporting, business valuations, and corporate, income and capital taxes, now benefit a range of clients, predominantly in the agricultural sector. Enjoying the technical and advisory aspects of accountancy, as well as the personable nature of working closely with clients, Ben is involved with a wide range of farming and rural businesses, primarily in Norfolk and Suffolk but often further afield, reflecting Larking Gowen's wide geographical reach and use of the latest digital/cloud-based systems.

With over 50 staff across East Anglia, Larking Gowen's Farms & Rural Business Team includes one of the largest groups of agricultural accountancy specialists in East Anglia and beyond. A trusted advisor to clients ranging from large contract farming operations encompassing over 4000 acres, to small arable or livestock farms, Larking Gowen also advises farming-related enterprises such as butcher's shops, farm retail outlets, property lets and other diversifications.

One of five managers within the Norwich Farms & Rural Business Team, Ben works most closely with Larking Gowen partners Ashley Smith and Steven Rudd. Responsible for overseeing and developing a team, he also runs his own portfolio. Often taking the opportunity to visit clients on site, Ben gains great satisfaction from being able to use his 15 years' experience to help deliver financial solutions which benefit clients.

"Naturally, many clients are now seeking solutions to enable them to pass on their businesses and assets to the next generation in the most stress-free and tax-efficient method possible. For years, the industry benefitted from the relative financial certainty of greater Agricultural and Business Property Reliefs from Inheritance Tax, but following the two latest Budgets, succession planning has become a critical issue for many clients. The wider tax and industry landscape has become less predictable and finding the best solution for them is now much more challenging.

"Larking Gowen take the time to understand a client's business and its dynamics, then provides relevant and timely advice. This approach can initiate proactive discussions on best practice and tailored accounting, tax, and cashflow solutions, as well as conversations around diversification projects and how the business can navigate ever-presenting challenges.

"Timely tax planning for farms and rural businesses is perhaps as important now as ever. Our team can help advise on Inheritance Tax, Capital Gains Tax and all other taxes from a succession planning perspective, as well as managing the business and family record keeping and compliance affairs, to protect and preserve businesses and assets for future generations."

Ben enjoys living and working in Norwich, a city for which he has a great affinity. Not only is it very homely but there's always enough going on that he has never considered moving. In his spare time Ben enjoys watching live music and comedy shows, as well as sport, whether that be attending Parkrun, playing as a goalkeeper for his Saturday league football team or watching Norwich City, where he is a season ticket holder.

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Profile:
Laura Clayton

"I always wanted to spend my career with one firm and since joining Larking Gowen in 2010 I cannot believe how my career here has progressed. It has been quite surreal, those 15 years have just flown by, and I am enjoying it more than ever," says Laura Clayton, a Manager in Larking Gowen's Farms and Rural Business Team. Based at the firm's Diss office, she provides accounting and tax advice to a wide range of clients in Norfolk, Suffolk and Essex, as well as organising training days for employees at Larking Gowen's Diss, Norwich and Fakenham offices.

Born in Norwich, Laura studied for her A levels at Gordonstoun School in Elgin, North Scotland, where she was particularly interested in business studies. Her intention was always to go on to university, but then someone she knew who worked for Larking Gowen suggested that her fascination for numbers would make accountancy a good career option. The idea of learning on the job appealed to Laura, as it would provide a practical entry into the world of work.

With the full-on demands of further education behind her Laura left Gordonstoun in 2009, taking a year off to enjoy some downtime and go travelling before accepting an offer from Larking Gowen. Starting at the Norwich office, she moved to the Diss office a year later and joined the Farms & Rural Business Team. After gaining her Association of Accounting Technicians (AAT) qualification in 2012 Laura went on to qualify as a member of the Association of Chartered Certified Accountants (ACCA) in 2015.

"My role has changed massively over the years and continues to do so. I am lucky enough to work with a great team, but my favourite part of the role is dealing with clients. Increasingly in this fast-changing world they need our advice and it's such a good feeling to get a 'thank you' - then you really know that you've helped them.

"The key behind Larking Gowen's success is that we work with clients in the way they want, rather than imposing our way of doing things. Some prefer telephone conversations and face-to-face meetings; others would rather use emails or go on-line for routine conversations. I deal with a wide range, from traditional farms with a mix of arable crops and cattle, to a range of rural businesses, others that rent log cabins and sell hot tubs, through to holiday lets and a wedding venue that has grown rapidly.

"The common thread is that our clients want to deal with advisors who take the time and make the effort to understand their businesses. It's all about trust, so forging strong relationships is a vital and enjoyable part of my role. In some cases I started off dealing with the parents and because the contact was always there have continued to work with the next generation. It is fascinating to be part of their journey, every step of the way.

"Farming and rural businesses are non-stop in terms of commitment and often talking to their accountant isn't a top priority for the owners, because of the day-to-day pressures. My role involves far more than just 'doing the accounts' and looking after the compliance side, which is why face-to-face meetings are so important. Just by sitting down with clients and talking so much comes out of the woodwork; you can't replace that service, you just can't.

"Being proactive in our approach gives clients confidence that we are on top of the job, allows us to understand what they want and any concerns they may have. No two days are the same, no two years are the same and no two clients are the same, so I enjoy spending time getting to know them and jointly we arrive at the best solution. In many cases I and my team meet not just the client but also their other advisors, which means that everyone is on the same page and we provide a complete service.

"In the past some clients might just have consulted us for tax saving and planning, but this is changing. The conversations we have now frequently involve topics such as diversification or the need for effective succession planning to make sure that assets are passed down the generations in the most efficient way possible. Inheritance Tax is an area that some clients, perhaps understandably, have been reluctant to address, but in the current legislative environment the stakes are so high that it is a must-have conversation."

Home for Laura is the small market town of Hingham, some 13 miles west of Norwich, and when not working she enjoys playing netball and baking.

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Inheritance tax reform and the rural economy: what the new rules mean for farm owners and family businesses

The content of this article reflects the current understanding of the revised position announced by the Government on 23 December 2025, and the follow up explanatory note released on 5 January 2026. We continue to await a formal revision to the draft legislation due to be enacted on 6 April 2026.

Inheritance Tax (IHT) has been one of the most sensitive pressure points for farm owners and rural family businesses following the Budget at the end of October 2024.

Against that backdrop, the Government's reforms taking effect from **6 April 2026** represents a fundamental shift in how Agricultural Property Relief (APR) and Business Property Relief (BPR) operate. While 100% relief remains available, it is no longer unlimited — and that change alone has significant implications for succession planning across the rural economy.

The core reform: A £2.5 million cap on 100% relief

From April 2026, **100% APR and BPR will be capped at £2.5 million per individual.** An increase from the £1 million allowance per individual was announced following a government U-turn on 23 December 2025.

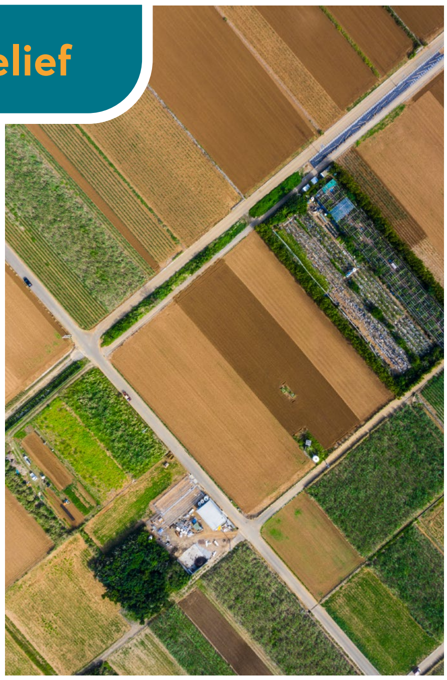
Over and above this new threshold value, any qualifying agricultural or business assets will receive **50% relief**, resulting in an **effective IHT charge of 20%** on the excess.

Previously, many farming businesses and landed estates relied on the assumption that qualifying land and trading assets could pass entirely free of IHT, regardless of value.

That assumption no longer holds.

For many family farms, particularly those in the South and East of England where land values are highest, estates that are "paper wealthy but cash constrained" may now face an IHT exposure for the first time if their ownership structures are not reviewed and succession planning put in place.

We know this does not mean APR or BPR has been withdrawn. Rather, it has been **targeted**, with a clear expectation that larger farming businesses and landed estates engage more actively in planning.



Spouse and Civil Partner transferability: a crucial mitigation

One of the most important, and welcome, aspects of the reform is the confirmation that the **£2.5m relief cap is transferable between spouses and civil partners.**

In practical terms:

- Each spouse has their own £2.5m allowance for 100% APR/BPR
- Any unused portion on first death can be transferred to the survivor
- A couple can therefore protect **up to £5m of qualifying assets** at 100% relief (ignoring the nil-rate band)

This mirrors the long-established treatment of the nil-rate band and residence nil-rate band and reinforces the importance of **planning at household level**, not individual level. It does, however, impact those businesses and landowners who are single and unmarried to a greater extent than those with a spouse or civil partner.

Importantly, this transferability applies even where the first death occurs **before April 2026**, meaning surviving spouses are not penalised by historical timing.

For farming families, this makes will structure, asset allocation between spouses, and the use (or avoidance) of discretionary trusts more critical than ever when assessing the tax and succession planning tools available to them.

Interaction with existing IHT allowances

The new relief cap does not operate in isolation. It sits alongside the existing IHT framework, including:

- The **£325,000 nil-rate band**
- The **£175,000 residence nil-rate band** (where applicable)
- Spousal exemptions for outright transfers

When combined intelligently, these allowances can still result in a significant proportion of a farm or rural business passing free of IHT, but only where ownership, occupation, and trading status are clearly evidenced and professionally structured.

Caution must be applied as the residence nil-rate band is only fully available to a death estate if the gross value prior to any relief falls below £2 million, and the property passes to a direct descendant.

Why farms are uniquely exposed

Farms and rural businesses face a specific set of challenges under the new regime:

- **High asset values** driven by land prices rather than income
- **Complex asset mixes** (trading land, let land, diversification projects)
- **Delayed succession** well into the older generation's lifetime due to previous IHT regime that has existed for a generation
- **Limited liquidity** to fund tax liabilities

A 20% tax charge on an excess above £2.5m can quickly translate into a significant liability however with the ability to fund this liability (associated with APR/BPR assets only) interest-free over ten years has helped to ease the burden somewhat – although many say it still doesn't go far enough.

Also, with the varying profitability of agriculture, the tax liability may still not be affordable on an annual basis as those running the businesses also need to live, pay income taxes and survive off what is left.

Without succession and tax planning, this can force asset sales, increase borrowing levels, or negatively impact business restructuring at precisely the wrong moment.

Key planning considerations for Farm Business and Landed Estate owners

1. Ownership and asset review

Now is the time to review who owns what, how assets are used, and whether they clearly qualify for APR or BPR. Mixed-use and diversified estates are particularly exposed to grey areas. Also it is key to understand your IHT liability exposure in order to begin the succession planning process.

2. Wills and spousal planning

Outdated Wills that rely heavily on trusts or fail to utilise spousal transferability may inadvertently create issues for the next generation. Simpler structures may be more effective under the new rules but it is recommended to review your Will planning with your tax advisor and your solicitor.

3. Lifetime gifting and succession timing

The £2.5m allowance refreshes every seven years for lifetime gifts. Earlier succession, where commercially viable, can significantly reduce future exposure. This must be managed alongside future income requirements and risks of gifts with reservation of benefit. The use of discretionary trusts are becoming increasingly popular, especially ahead of 5 April 2026 given the window of opportunity to move assets into the trust using the current rules for unlimited APR/BPR on qualifying assets.

4. Cash flow and liquidity planning

Even with the increase in the APR/BPR relief to £2.5 million, some estates will face residual IHT liabilities as the older must retain assets to provide an income for their lifetime. Planning for liquidity (through insurance, retained profits or staged succession) is now a core part of farm and landed estate management. Certain assets may be retained as a form of IHT liability planning to benefit from the probate value base cost uplift for capital gains tax on death.

5. Communication with the next generation

Unclear expectations remain one of the biggest risks to family farms. These changes provide a strong catalyst for structured conversations about ownership, control and long-term strategy. Start the conversation.

A strategic shift, not a cliff edge

While the reforms undoubtedly increase complexity, they mark a shift away from unlimited APR/BPR relief that has been in situ for a generation towards a requirement for family to operate with **intentional, evidence-based succession planning** in order to mitigate IHT liabilities and retain as much of the family asset as possible.

For farm business and landed estate owners who engage early, take advice and plan as a family unit, it remains entirely possible to pass on the business intact and sustainably.

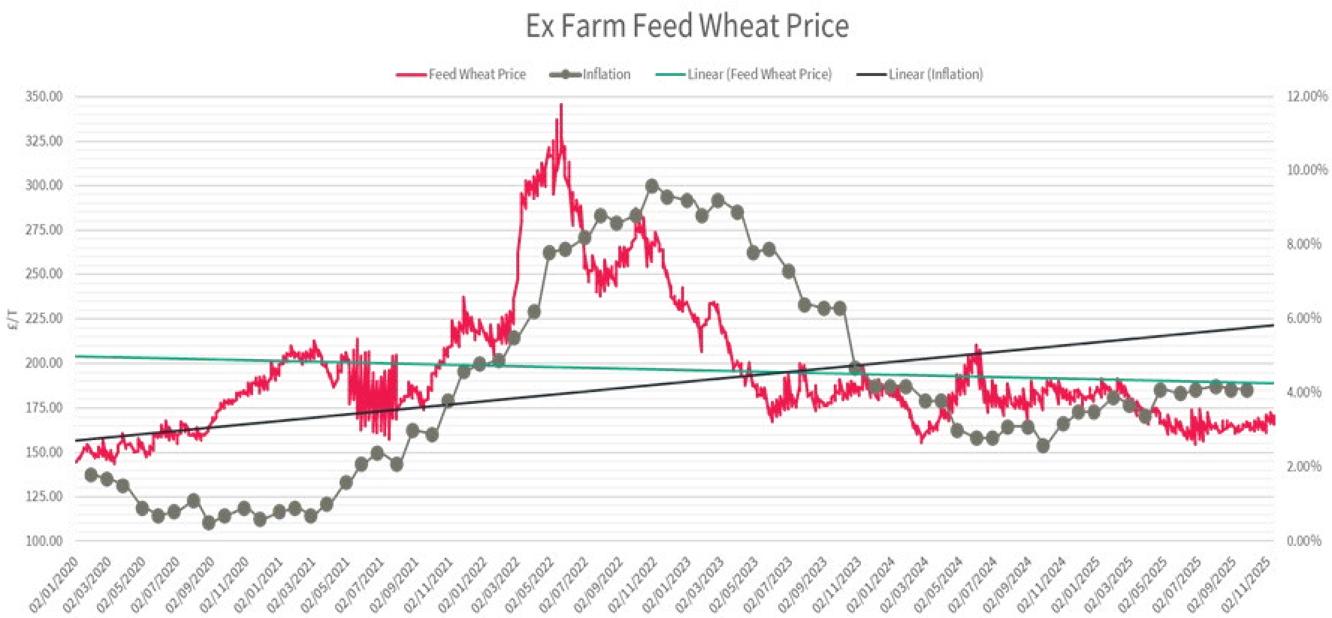
For those who delay, the cost of inaction is now materially higher, and HMRC is less forgiving than the next generation.

Brown&Co data highlight massive differences between the best and worst performing farming businesses

The 2025 Larking Gowen Annual Farming Conference included economic data and analysis for farming businesses across East Anglia by Brown&Co, a leading provider of consultancy services. The take-home messages were:

- Change will bring opportunity for those which are positioned correctly
- Detailed budget and cashflow forecasts are essential
- Regular reviews are critical to assess the impact of business decisions and changing scenarios
- Detailed assessments of labour and machinery are fundamental for maximum efficiency
- Preparing for potential increases in funding requirements is essential
- Professional advice is a cornerstone of successful businesses

The economics of farming since January 2020 are summarised in this graph, which highlights that over the last five years agricultural input inflation increased from approximately 2% to 6%. It also shows that from 2020 to 2023 the line representing the average feed wheat price was above that for inflation, but as time has gone on it has dipped below it. The considerable positive gap between the wheat price and inflation during 2020/2021 has also narrowed and the two are tracking each other much more closely, but rising interest rates have significantly increased the cost of capital.



More variable weather and higher rainfall also present significant challenges. Cambridge Meteorological Office figures from 1961 to 2023/2024 highlight a substantial increase in average annual rainfall, from 525mm to 575mm. Some Brown&Co clients, particularly those producing high-value vegetable crops, have taken action to help them deal with that. Updating drainage schemes and constructing reservoirs to capture water for irrigation during hot, dry spring and early-summer weather are just two measures, the latter being particularly relevant given that the pressure on abstraction licences is likely to increase, particularly in Environmentally Sensitive Areas.

Speaking at the Autumn Farming Conference in Ipswich, Andrew Kitchen (Agricultural Business Consultant/Divisional Partner) outlined the budgeted results from some of the contract farming agreements that he oversees in Suffolk and Essex for Harvest 2025. Covering 15 farms from 94ha to 398ha producing cereals and sugar beet. The data highlight a gulf between the best and worst performing.

	TOTAL (£)	2,991 HA PER HA	7,391 AC PER AC
CROP OUTPUT	4,030,367	1,347	545
STRAW OUTPUT	56,451	19	8
BPS	126,838	42	17
SFI & CS	308,320	103	42
TOTAL OUTPUT	**4,521,975**	**1,512**	**612**
SPRAYS	610,367	204	83
SEED	384,392	129	52
FERT	703,248	235	95
BANK INTEREST & CHARGES	76,391	26	10
OTHER OVERHEADS	530,081	177	72
TOTAL COSTS	**2,304,478**	**770**	**312**

	TOTAL (£)	2,991 PER HA	7,391 PER AC
FARMERS RETENTION	685,672	229	93
CONTRACTORS FIRST CHARGE	894,224	299	121
BUDGETED DIVISIBLE SURPLUS	**637,601**	**213**	**86**
FARMERS DS SHARE	280,287	94	38
CONTRACTORS DS SHARE	357,315	119	48
FARMERS TOTAL RETURN	**965,959**	**323**	**131**
CONTRACTORS TOTAL RETURN	**1,251,539**	**418**	**169**

The best, a 201ha heavy land farm, achieved a total output of £2119/ha, with total budgeted costs of £912/ha. Deducting the farmers retention of £100/ha and the contractors first charge of £347/ha left a Budgeted Divisible Surplus of £759/ha, the farmer receiving a budgeted £435/ha and the contractor £323/ha. This gave the Farmers Total budgeted Return of £525/ha and a Contractors Total budgeted Return of £671/ha. A good forecast in a particularly challenging season.

On the worst, total output across 124ha of light land averaged £925/ha, with total costs of £582/ha. Deducting the farmers retention of £173/ha and the contractors first charge of £322/ha left a negative Budgeted Divisible Surplus of -£152/ha, all of which would be borne by the farmer. Consequently, the Farmers budgeted Total Return would be just £21/ha, while the contractor would receive only their first charge, £322/ha, as there was no surplus.

The Best Vs The Worst

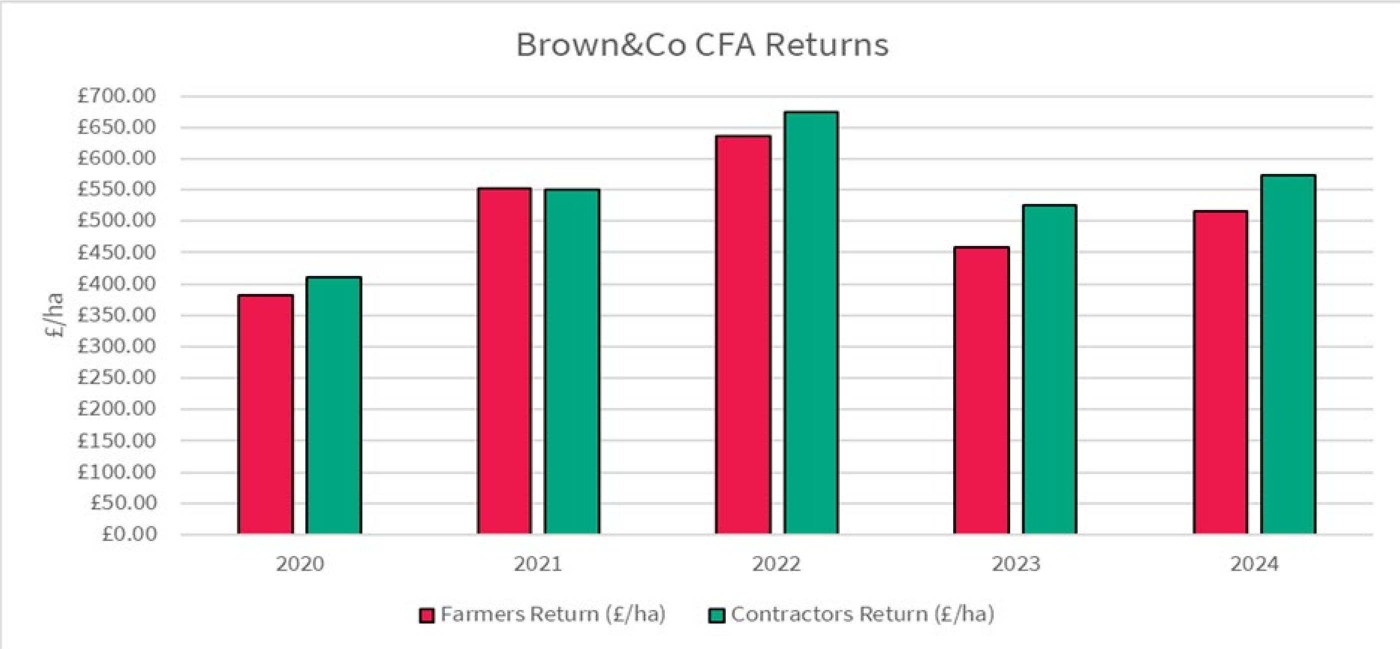
	BEST		WORST	
	201 PER HA	496 PER AC	124 PER HA	307 PER AC
TOTAL OUTPUT	2,119	857	925	374
TOTAL COSTS	912	369	582	235
FARMERS RETENTION	100	40	173	70
CONTRACTORS FIRST CHARGE	347	141	322	130
BUDGETED DS	**759**	**307**	**- 152**	**- 61**
FARMERS DS SHARE	435	176	- 152	- 61
CONTRACTORS DS SHARE	323	131	-	-
FARMERS TOTAL RETURN	**535**	**217**	**21**	**9**
CONTRACTORS TOTAL RETURN	**671**	**272**	**322**	**130**

Confidence at an all-time low

Speaking at the Autmn Farming Conference in Fakenham, Bradley Hurn (Partner, Agricultural Business Consultancy) said that confidence particularly in the arable sector is currently at an all-time low, with weather and market challenges being compounded by reducing government support. His presentation included a walk-through of Brown&Co's data for 8000ha of farm land in Norfolk and Cambridgeshire from 2020 to 2024, the results being summarised here.

In 2022 farmers' returns averaged £636/ha and contractors' average returns were £674/ha, scaling back significantly to £515/ha and £572/ha respectively in 2024. For 2025, farmers average returns are estimated at £370/ha to £440/ha, with contactor average returns £440/ha to £500/ha.

Provisional figures for Harvest 2025 show wide variations in prices and yields, predominantly due to land type. Winter wheat yields ranged from 7.09t/ha to 9.54t/ha, with prices in a narrow band from £170.00/t to £175.22/t, probably because many farms held back from selling in the hope that prices would increase. Winter feed barley showed narrower variations, with yields from 8.30t/ha to 8.86t/ha at £138.93/t to £142.00/t. Winter malting barley yields ranged from 5.37t/ha to 7.03t/ha, at £164.46/t to £178.00/t, with spring malting barley crops yielding from 3.58t/ha to 7.58t/ha at £172.86/t to £185.00/t. Winter oilseed rape yields were from 3.47t/ha to 4.86t/ha at £424.00/t to £452.54/t, while sugar beet yields ranged from 66.43t/ha to 109.88t/ha and were heavily dependent on soil type.



	2020	2021	2022	2023	2024
Wheat Yield Feed (B&C t/ha)	6.99	8.64	9.01	8.6	6.45
Wheat Yield (UK t/ha)	6.96	7.81	8.57	8.13	7.28
Wheat price (£/t)	£198.20	£188.90	£245.30	£205.40	£221.70

Accurate information is essential

Sharing expensive equipment, such as a combine, can provide significant fixed-cost savings.

Direct drilling can dramatically reduce crop establishment costs.

There appears to be little likelihood of significant increases in output prices during 2026 as favourable weather conditions this autumn meant that most farms were able to get winter crops in the ground easily and on time. With wheat yields having almost plateaued and prices relatively low, farming businesses have little option but to further reduce the cost of production per tonne.

Labour and machinery costs are a key area as they account for up to 60% of total fixed costs but reducing that figure is likely to involve significant change. Moving from a conventional plough-based or min-till system to direct drilling, for example, can dramatically cut the cost of establishing many crops. Reducing the number of passes required this technique will also significantly improve timeliness and weather resilience while reducing labour, fuel, tractor hours and servicing, together with wear and tear.

Reviewing fixed costs can help to highlight the true cost of owning and operating machinery. It also identifies utilisation peaks and troughs, compares operation and ownership costs against industry standards, whilst highlighting opportunities for collaboration and savings.

Brown&Co's Business Review Service will provide a snapshot of your farming business and identify areas for attention. Please contact your local Brown&Co office if you would like to discuss budgeting, cashflow forecasts or labour and machinery costings.

Farming business structures podcast launched

Beyond the Barn, the Business of Farming mini series

In episode 7, Laura is joined by partner, Laurie Hill, to discuss the various business structures used in farming, including sole traders, partnerships, and companies.

They explore the implications of each structure on liability, tax, ownership, and control, as well as the importance of partnership agreements and succession planning.

The discussion also touches on the impact of digital transformation in farming and the necessity of having early conversations about business structures to ensure they align with family dynamics and commercial goals.

Finally, they address exit strategies and the complexities involved in transitioning out of a family business.

This special farming mini-series is hosted by Laura Clayton, a manager in the farms and rural business team, and in each episode Laura invites a different guest to share their expertise on various business topics affecting the farming and rural community. The series covers a range of subjects including tax, legal matters, succession, and inheritance, aiming to provide insights and tips to those living and working in agriculture.

You can get in touch with our presenters directly through the Our People section of our website, or visit our Farms and Rural Business page here.

If you enjoy the series, please leave a positive review on Apple Podcasts or Spotify as this really helps people find us!

Listen to the episode here.

How can we help you?

We review the whole financial structure of our clients' farming and business enterprises regularly to understand their needs, aims and future aspirations. In addition to the standard accountancy and tax compliance services we provide to our clients, we routinely perform specialist services such as:

Business structure advice	**Assessment of diversification plans and associated tax consequences**
Succession planning and the passing of assets to the next generation	**Contract Farming Agreement reviews**
Capital tax planning	**Contract farming accounts**
Inheritance Tax advice and Will reviews	**Specialist capital allowance claims**
Review of Partnership Agreements	**Research and development claims**
Preparation of cash flow forecasts, profit or loss forecasts and business plans	**Probate services and estate accounts**

If you're searching for a personal and client focused approach then please get in touch with us for a free initial consultation, on-farm or at one of our offices.

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