

Northampton Monitor Farm

Meeting title: Joint ventures

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Speakers: Charles Matts (Brixworth Farming Company); John Thame (Ellacotts)



Why and how the Brixworth Farming Company joint venture was set up

- A key driver was the need to cut costs radically
- Extremely high interest rates at the time reduced options for buying more land
- In 1999 a feasibility study showed the savings that could be made in a joint venture would be greater than any profit they had ever made
- Entering the joint venture left farm buildings redundant - these were converted into profitable lets
- All land was pooled into the parent business – each business retained only liming and minor drainage repairs – so all members have a financial interest in all the land (and you don't have to worry when the combine is coming etc.)
- Succession was considered at the outset – the joint venture was discussed with the second generation
- Roles were split between managing director and operations director dependent on strengths and weaknesses
- Unfortunately redundancies had to be made
- One of the key policies is keeping it simple
- The joint venture business has a joined up approach to crop planning, forming strong business relationships and knowing exactly what they have to sell
- This allows for the right mix of adding value to what the joint venture business can grow
- Have contracts the joint venture members are comfortable with
- The Brixworth Farming Company has a black-grass strategy which is shared with everyone, e.g. blowing the combine down between fields, and it works

Take-home messages

- Entering into a joint venture can be a very effective way of cutting costs
- A feasibility study can help in deciding whether or not to enter a joint venture
- Pooling land gives all members a financial interest in all the land
- Keep it simple
- Consider succession and discuss with next generation at the outset
- Assign roles depending on strengths and weaknesses

Considerations for a joint venture

There are several types of joint venture:

- **Contract farming** – make sure there is a contract; you must have an audit trail
- **Joint machinery purchase** – generally better to buy kit instead of leasing due to Annual Investment Allowance (AIA)
- **Joint venture** – straight cross charging; this spreads costs over a larger area; good records need to be kept
- **Machinery & labour joint venture** – AIA might not be available on a machine in the year it is sold; Financing is by members' capital/assets; you need a members' agreement and a machinery sharing agreement; you need to think about cash-flow and so need to plan (what cash is available for maintaining kit etc.?)
- **Gross margin sharing joint venture**, e.g. Brixworth Farming Company – this is a step further - total arable gross margin calculated for all members of the JV; gross margin is then apportioned in accordance with acreage; allows block cropping allows which better uses resources and is less emotive
- **Whole farm business joint venture** – one step further: you become a partner; distinguishes between ownership and management

Benefits of joint ventures

- Allows farmer to continue "farming" (tax, pensions, identity)
- Maintain availability of APR against the farmhouse
- Rationalise operating costs
- Upskill workforce including owner managers
- Improve ROCE – e.g. alternative use of buildings, efficiency of kit
- Facilitate succession and IHT planning

Take-home messages

- Make sure you get:
 - advice
 - an agreement
 - the detail right
- Use strengths and define roles
- Communication is key
- Choose the right, trusted partners

Further information

- [Driving productivity growth together](#)
- [Knowing your business and keeping your bank manager on side: webinar](#)
- [Farmbench](#)

AHDB resources

- Understand your business costs with AHDB's benchmarking tool Farmbench at ahdb.org.uk/farmbench
- Monitoring tools are available at ahdb.org.uk/tools
- Sign up to market information and research newsletters at ahdb.org.uk/keeping-in-touch
- Find out what's going on at other Monitor Farms and Strategic Farms at ahdb.org.uk/farm-excellence

- All AHDB events can be found at ahdb.org.uk/events
- For guidance on how Brexit will impact your business, see ahdb.org.uk/brexit

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