

# Down to Earth

STRAIGHTFORWARD FINANCE FOR FARMS AND RURAL BUSINESSES

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## Highly competitive loans from the new AMC man in Scotland

**AMC is strengthening its position in Scotland with the appointment of experienced land market specialist, Dugald Hamilton, as Scottish Regional Agricultural Manager.**

Dugald, who took up his appointment on 31 March, has 31 years experience in agriculture. Previously working with agricultural auctioneers and valuers Lawrie and Symington, he has seldom seen a land market quite as active as that which rules in 2008.

“It is a great time for AMC to strengthen its presence in Scottish agriculture,” Dugald said. “Land prices are reaching hitherto unseen values with best arable land on the east coast of Scotland touching £10,000 an acre. This is adding enormous strength to the farming balance sheet at a time when many businesses are ready to invest to take advantage of the improved market prospects for cereals and dairy.

“AMC will be very active in talking to these farming businesses about providing very competitively priced, long-term money to fund new dairy parlours, potato and grain stores. This will be sorely needed as Scottish agriculture invests to regain its pre-eminent, competitive position in the UK and European markets.

“Although prices for beef and, particularly, sheep are proving slow to recover, investment is still needed in the red meat sector. Meat producers are constantly striving to improve efficiency to meet market demands,” he said.

Dugald believes that AMC’s ability to offer highly competitive rates will help provide real stability for long-term investment plans.

“I feel the simple, no-fuss, lend-and-leave policy of AMC with facilities that sit alongside the farm bank account, will also appeal to farmers who are striving to keep their business simple,” he said.

With so much experience of the land market, how does Dugald view prospects for the next few years?

“Unlike the 1980s – where land values spiked and then fell away – I believe the current market is sustainable. We are seeing increased competition for land use at a time when worldwide demand for food to feed a growing population is high.

“On the economic front we are seeing competition from overseas buyers and the re-emergence of non-farming and City money, such as oil pension funds, all attracted by the tax benefits of agricultural land.

“But that doesn’t squeeze out farmer buyers. Buoyed up by the better prices and the increased equity in land they already own, they see value in adding to their holdings and still leaving a manageable overhead. But they are canny buyers, taking good advice and subjecting their decisions to very robust challenge before spending,” he said.

Nonetheless, Dugald expects his first few months as AMC’s Scottish Regional Agricultural Manager to be hectic. Working from his own 700-acre farm in East Perthshire as a home-base, he will be travelling throughout the country, talking to customers and advisors as he spearheads AMC’s positive approach to Scottish agriculture.

### We can help

To discuss any finance requirements please call Dugald Hamilton on **07774 415179**, AMC’s New Business Team on **01264 334747** or your local AMC Agent.

## Make sure you know what you are paying

**Money is in the news. The cost, availability and access to money have been hogging the front pages of national newspapers and leading national news bulletins on radio and television for months.**

The good news for the agricultural industry is that the credit crunch has not cut off the vital funds farming businesses need at a time of great industry opportunity. And even better, loans from AMC are available at rates that are very competitive compared with other sources of finance. AMC is part of the Lloyds TSB Group plc. The financial strength and security of the Group is exemplified by the fact that Lloyds TSB Bank plc is one of the few triple-A rated banks in the UK.\*

That’s why we believe our timing in strengthening our business presence in Scotland and offering the AMC personal service to farmers right across the country couldn’t be better.

**Challenge AMC to lower your current bank’s interest rate today and feel confident that affordable funds are available to invest today’s income to secure tomorrow’s profits.**

\*Source: Moody’s – correct at time of print



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Part of the Lloyds TSB Group



Jimmy Orr (left) with the fencing team

## Loans that speed investment

**A higher profile for AMC which will bring more choice into the Scottish farm finance sector is good news for farmers in Scotland.**



Alan Nisbet, Managing Director of Buccleuch FBR at Kelso and advisor to Jimmy Orr, believes the product range offered by AMC will meet the needs of a Scottish farming industry that is moving into investment mode.

"A lot of investment will be made on Scottish farms in the near future. Competition in the finance market can only be good news for those looking to finance business development. AMC's lend and leave policy, its simplicity and the speed with which decisions can be taken all fit well with businesses that want to move quickly to expand and improve. In Mr Orr's case, the offer was made and delivered with minimum fuss and delay and his business diversification was helped enormously," said Mr Nisbet.

### We can help

To see whether AMC can help your business develop call the AMC New Business Team on **01264 334747**. To speak with Alan Nisbet direct call **01573 224381** or email [alan@fbr.co.uk](mailto:alan@fbr.co.uk)

## AMC, fencing and beef are a recipe for success in Fife

**A simple farming system with steady sales of beef cattle providing essential cash flow is working so well for a Fife farmer that he has been able to launch a successful fencing business as a diversification.**

Jimmy Orr and wife Jan farm Baldastard Farm near Leven in partnership. The farm runs to 320 acres – with another 120 acres of grass rented in from a neighbour – and sits at between 350 ft and 600 ft above sea level. Around 125 acres are in cereals with the rest in rotational or permanent grass but the farm hasn't sold any grain for several years, feeding it all to the beef cattle.

The Orr business really got lift-off just over a year ago when Jimmy decided to take the plunge on a long-held ambition to spread his farming risk through diversification but found his local bank less than helpful.

"The timing was good. We had come to the end of a ten-year loan taken out when we moved to Fife from Lanarkshire so it was a good time to look around at the finance market. I spoke to our consultant, Alan Nisbet, Managing Director of Buccleuch FBR at Kelso and he suggested trying AMC. It was the best thing we ever did. It upset our bank and so we changed the trading account to Lloyds TSB Agriculture as well. Now we feel we are dealing with people who really understand farming and our business," said Jimmy.

### Fencing business takes off

The chosen diversification was agricultural fencing. Jimmy had done quite a lot on his own farm and neighbours were asking him to do theirs too. In the end, he joined forces with a business partner and the venture got under way. Now, without advertising or undue promotion, they can't take on new fencing work for four months!

"I think the fencing business is strong because there has been a lack of investment while farming profits have been so low. Now farms are trying to manage more cattle and sheep with less labour and quality fencing is an essential part of the system. We launched the right business at the right time," said Jimmy.

### Unusual cattle system

To some the Orrs' farming system might seem a bit odd. They currently run a herd of 90 suckler cows selling all the progeny as forward stores at about 400 kg. They then buy in dairy-bred bullocks – big framed cattle at about 500 kg liveweight, fatten them on their own cereal based ration plus potatoes, carrots and silage through to a target slaughter weight of 350 kg deadweight. At present they are selling four to five cattle a week which are returning around £2.50 per kg, for a R4L.



**Jimmy and Jan Orr with daughters Ellis and Corinne**

"It makes the farming quite simple. We block calve the sucklers in the spring so each spring we sell all the calves as forward stores. That means we take the first £550 from each beast and I think that is easier than taking them right through to slaughter. At present we are keeping all the good heifers to increase the herd to a target of 120 cows.

"The beef fattening operation is indoors – using some of our own buildings but also renting steadings from neighbouring farms. We pay a headage rent per week and that includes management, feeding and muck disposal – again, keeping our involvement simple."

#### **All sections of business work together**

The fencing and family farming businesses – teenage daughters Ellis and Corinne play their part too – run ideally together. Keeping the farm system simple means that work peaks can be easily identified and the fencing work fits in with the farming.

"If a farmer has managed for five years with a dilapidated fence, he isn't going to mind if we have to finish a job on the farm and arrive at 10 o'clock instead of 9 o'clock to put up a new one," said Jimmy. "Also we can share the man we employ on the farm so that we can cover off essential jobs with the cattle and still offer a good level of reliable service to our fencing customers."

#### **We can help**

If you are thinking of restructuring your bank debt, investing in land, fixed equipment or diversification, call AMC for a no obligation discussion on **01264 334747** or speak to your local AMC agent.

# Land prices on the up as confidence rises in North East Scotland

**John Rhind of Aberdeen & Northern Estates Ltd, Inverurie, provides an overview of the market in the North East of Scotland.**



**John Rhind – Aberdeen & Northern Estates Ltd**

A buoyant market for quality arable land has seen values in Scotland's north east double in the past 30 months. Land that was changing hands for £2,000 an acre in late 2006 is now attracting bids of £4,000 plus.

And although overseas and so-called lifestyle buyers are active, it is really a return of local farming bidders that has been at the heart of the price explosion, explained John Rhind, agricultural property specialist at Aberdeen & Northern Estates Ltd.

"A number of factors have come together to encourage farmers back into the market," explained John. "One of the key drivers has come from established farmers who are cashing in the value of their single farm payments (SFPs) and using the released capital to expand their holdings.

"We have held three auctions of SFP rights in the past 18 months. Prices settled at around two and a half times the face value of the rights. So farms with SFP entitlements of around £80 to £90 an acre over say 400 acres have been able to realise cash sums of £80,000 to £100,000 – a good start when land is on the market.

"This is particularly the case when farmers are feeling so confident about their income prospects. Cereal producers can see good prices available on the futures market for 18 to 20 months ahead, with most forecasters suggesting these better times could last even longer. This level of confidence has not been seen in the last five or even six years.

"The mood of optimism has been further strengthened by some very good deals being agreed by local landowners on the development front. This money is rolling over back into land and giving the market an extra boost.

"Finally, foreign buyers – particularly Irish and Scandinavian – are still making their presence

felt so if local farmers want to expand their acreage they need to step up with some serious bids to be successful."

Sadly, John Rhind cannot report such good values when the land is of lesser quality and up in the hills. Here the other end of the horn:corn equation has its effect and prices are more sluggish. There is some interest from buyers seeking a substantial house with surrounding land and good sporting property but open fields, bigger upland and livestock farms are reflecting poorer profit prospects, and therefore proving less attractive.

"Sadly livestock numbers on the hills are reducing and we need to see a real improvement in market prices to underpin values on beef and sheep farms. Producers are wary of the current climate and not really prepared to invest," he said.

There is also a higher than usual number of transactions in land being gifted from one generation to another as families seek to rationalise their exposure to tax on capital gains.

"A lot of land in this area is sitting in books at a purchase value of a few hundred pounds. By changing ownership through gift, the value of that land can be brought up to date and, providing the donor survives for seven years, a perfectly legitimate transaction has potentially saved the estate a big tax bill," said John.

"We are also seeing more interest in AMC loans from some of the lifestyle buyers who are setting up rurally based businesses on their holdings. Kennels, catteries, equine and other leisure enterprises are springing up to take advantage of the expanding local population and the growing number of tourists finding their way to this part of Scotland," said John.

#### **We can help**

To discuss your requirements in this region further, please call John Rhind on **01467 623800**. For other regions call your local AMC Agent, or AMC on **01264 334747**.

## Why AMC?

At any time, you need to make sure that your money is working as hard as you do. But in the current economic climate, it is more critical than ever to ensure that you're getting the best deal. AMC will quote you highly competitive rates for land purchase, building improvements or other business purposes. And you don't need to leave your current bank.

AMC can be complementary to your existing set-up, simply borrow from AMC in a completely separate arrangement. AMC can offer competitive rates for long-term loans or for restructuring some of your overdraft debt – in fact, we welcome you to challenge us to beat your current bank's interest rate.

AMC is keen to provide professional local contact. The combination of our two Regional Agricultural Managers in Scotland and our network of AMC Agents allows us to provide a local and experienced service, from people who understand Scottish farm finance and who are looking to support viable business plans. AMC doesn't have call centres, just friendly experts in the agricultural finance field who understand your business and are always available to provide one-to-one expert guidance and support.

### Your local AMC Agent

Our AMC Agents are all Rural Chartered Surveyors. They perform an important role as our specialist contacts in your local area and are available to meet you to complete and submit the application form on your behalf. **For your nearest contact please see the table opposite.**

Please contact us if you'd like this magazine in Braille, large print or on audio tape.

AMC is an agricultural specialist with almost 80 years experience – and is committed to agriculture and the countryside. We specialise in providing mortgage finance for land-based business purposes including:

- buying land
- new buildings and fixed equipment
- restructuring borrowing
- paying out a retiring partner
- land improvements
- horticulture related investment
- machinery purchase
- diversification
- working capital

Individuals, partnerships, companies, trusts and pension funds can all apply for the three key products from AMC.

### Standard loan

AMC provides finance, between five and 40 years, to agricultural, rural and land-based businesses secured on property.

- highly competitive rates
- minimum loan amount is £25,001 and there is no maximum
- we lend up to 60% of the value of your security
- no annual fees or annual reviews
- loans can be passed from generation to generation

### Flexible facility

A five year loan, which can be extended if required, which offers a variable rate of interest, interest only payments and monthly installments. It has five key benefits:

- draw money as you need it without having to draw down the whole facility
- make capital reductions when you want
- select your monthly payment amount (as little as £5 per month)
- extend the term of facility every year if you choose
- completely separate from your banking arrangements

For both the standard loan and flexibility facility there are costs for setting up the loan or facility, for subsequent alterations and for early repayment. The flexible facility has a competitive 0.5% annual fee.

### High Interest Cheque Account (HICA)

In addition to its lending facilities, AMC's subsidiary, AMC Bank Limited, accepts deposits. AMC's HICA is a traditional cheque book account offering easy access to your money, the ability to pay bills promptly plus a very personal service. Accounts can be opened with a minimum of £5,000. There is no maximum. And once opened, deposits can be made whenever you wish.

For more information about any of the above, or to discuss your requirements in detail, please call the AMC New Business Team on **01264 334747** or your local AMC Agent.

## AMC Agents and AMC contacts

Firm	Town	Telephone	Contact
Aberdeen & Northern Ests Ltd	Inverurie	01467 623800	John Rhind
CKD Galbraith	Perth	01738 451111	Wattie Barbour
Donalds	Fenwick	01560 600581	Tom Donald
Edwin Thompson LLP	Berwick	01289 304432	Neal Thompson
	Galashiels	01896 751300	Hugh Jones
	Carlisle	01228 548385	John Raven or Christopher Gray
FBR Ltd	Kelso	01573 224381	Alan Nisbet
H & H Bowe	Carlisle	01228 640920	Alan Bowe or Timothy Parsons
Smiths Gore	Edinburgh	0131 5551200	Richard Thompson
	Fochabers	01343 823000	Jamie Watson or Toby Metcalfe
	Carlisle	01228 527586	John Noble or Charles Baker
Alternatively you may prefer to initially discuss your proposal with one of our Regional Agricultural Managers or our New Business Team – it's entirely your choice.			
Dugald Hamilton	Scotland		07774 415179
Nigel Parmenter	North of England and Scottish Borders		07725 447657
New Business Team			01264 334747

For information on products or services from AMC, please contact AMC, Charlton Place, Charlton Road, Andover, Hampshire SP10 1RE. The information contained in this newsletter is for general purposes only and is not intended to constitute legal or professional advice. You should seek specialist advice should you have specific queries. This newsletter is prepared and based on information from third parties and is believed to be correct. However, neither AMC nor its employees, officers or agents warrant its accuracy or completeness or accepts responsibility for any losses or damages whatsoever caused by reliance on information contained in the newsletter.

**Our service promise:** We aim to provide the highest level of customer service possible. However, if you experience a problem we will always seek to resolve this as quickly and efficiently as possible. You can request a copy of our 'How to voice your concerns' leaflet by calling **01264 334747**. Please remember we cannot guarantee security of messages sent by email.

We accept calls made through RNID Tynetalk. Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service. The Agricultural Mortgage Corporation plc and AMC Bank Limited. Registered office: Charlton Place, Charlton Road, Andover, Hampshire SP10 1RE. The Agricultural Mortgage Corporation plc registered in England no. 234742. AMC Bank Limited registered in England no. 1039896. Telephone: 01264 334344. The Agricultural Mortgage Corporation plc is a wholly owned subsidiary of Lloyds TSB Bank plc and Lloyds TSB Scotland plc. AMC Bank Limited is a wholly owned subsidiary of The Agricultural Mortgage Corporation plc. AMC Bank Limited is authorised and regulated by the Financial Services Authority. Published and artwork by Chamberlain. Printed by EVC Graphic Design and Print. Issued date: April 2008.