



NEWSLETTER **FDC GROUP**

Spring 2020



FDC Accountants Tax Consultants

Business & Farm Accounts, Management & Financial Accountants, Interim Accounts, Income Tax/VAT Returns/PAYE/Payroll, Business Plans/Financial Planning, Business Consultancy/Project Work, Personal & Company Taxation, Business Start-Up, Banking/Borrowing/Loan Restructuring, Grants, Agri-Consultancy

FDC Financial Services

Investment Management, Savings, Deposit Management, Share Trading, EII Investments, Pension Consultancy, Public Sector Pensions, Retirement Planning, Life & Health Protection, Income Protection, Annual Reviews/Advice

FDC Tax Department

Farm Transfers/Personal & Tax Aspects, Wills, Estate Planning, Partnerships, Corporate Structures & Law Issues, Farming Companies, VAT on Property, Capital Gains Tax, Discretionary Trusts, Mediation/Commercial & Family Disputes

FDC and Associates

Auditing of all Companies, Accounting, Management Accounts, Book-Keeping/VAT/PAYE & R.C.T., Payroll Bureau Services, Company Formation & Taxation, Consultancy, Tax Refunds, Property Management Companies, Personal Taxation



Barry Murphy

DEPUTY GENERAL MANAGER

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In this introduction I would like to outline and confirm FDC's commitment to supporting the needs of family business throughout rural Ireland.

We identify our own organisation as a family type structure being a collective of committed and resourceful staff combined with a supportive and engaging client base developed over many years.

We in FDC are committed to supporting and resourcing the needs of our client base within a localised structure where we wish to be accessible for the purposes of servicing the business needs of rural family business.

FDC origins in West Cork are firmly rooted in agriculture and while the numbers of farmers are reducing & have continued to reduce over the years the client base in FDC has evolved in line with the evolution of rural Ireland and now the ratio of farmers to non-farmers is approximately 50:50.

The family nature of farming and it's unique intersection of both family & business considerations has allowed us as an organisation to develop our skill set to best advice in terms of the medium and long term strategy for these businesses with the family interaction front & centre.

We have over time developed a range of experience, based primarily on specific challenges experienced by

our client base, such that we have a wealth of expertise particularly in the area of succession and transition to the next generation and the combination of our Financial Services, Tax Department and management skills (in our option) best positions us to advise & implement structures proportionate to the requirements of each individual case.

It is a strategic aim of the FDC Group to make more widely available this service range to the family business sector in rural Ireland in the medium term it has been previously referred to this this publication the extraordinary support that FDC receives from its client base in assisting us in expanding and developing our business we appreciate it and look forward to it's continuation.

Our commitment to a localised service continues and in 2020 we have established a new branch location for the FDC Group in Claremorris, Co. Mayo (as part of our intended national outreach in the medium term) as well as continuing to expand our outreach in the hinterland of our existing office network.

Finally, I would again like to take this opportunity to thank you sincerely for your support to ourselves and I would like to reaffirm our commitment to continuing to provide a comprehensive service proportionate to your needs and in this respect, we would welcome any advice or suggestions you may have.

A stylized, handwritten signature in dark ink, appearing to read 'Barry Murphy'.

CONFIDENCE

A fundamental quality that I have noticed in almost all the successful businesses that I have come across over the years is confidence.

Being confident in your business and your industry enables you to be situationally proactive, assertive and focused.

Sometimes it is all too easy to focus on the prevailing negatives... weather, milk price, protests, CAP reform.

However, my opening message is that as individual professional farmers you need to have confidence in yourself and confidence in the industry.

Having a strong sense of self-belief will positively affect how you communicate with everyone connected with your business - suppliers, customers, banks... even accountancy firms!

From my experience, most successful entrepreneurs are consistent, grounded and don't take rejections personally. They invest time in achieving a mastery level of effectiveness and take it upon themselves to self-educate.

So, whether you're just starting out or have been running a farm for some time, confidence really is a key bedrock to success and sustainability.

STANDING BACK

It is usually in the final months of each year that you will see businesses preparing a plan for the twelve months that lie ahead. Such a plan will typically review two key issues – how can I increase my income and how can I reduce my costs?

Most people will however agree that this is too narrow an agenda and that an annual business needs to consider

many more issues than simply income and costs.

Every now and then each farmer must ask themselves what their overall “mission statement” is, what is their end goal, what do they want to achieve and get from their farming enterprise.

For some it will be enough money to have a reasonable lifestyle without too much stress, for others it can be earning enough to put children through college or building up a farm to hand on to the next generation. These overall goals will in turn inform your decisions regarding farm investment, farming practices and farm budgets.

OUTSIDE INFLUENCES AND INSIDE THE FARM GATE

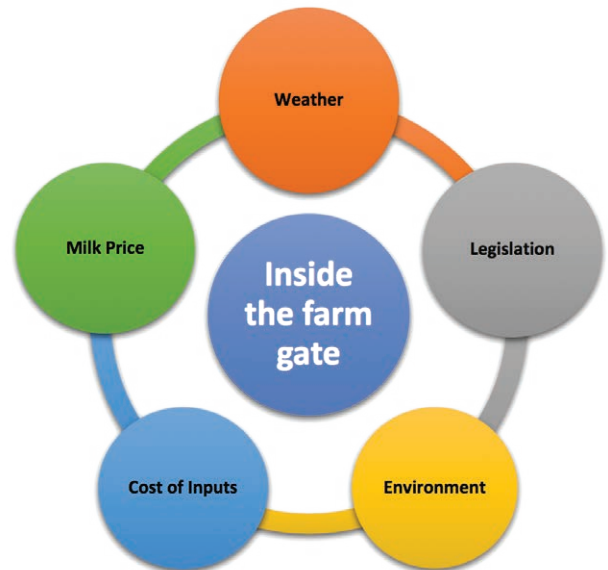
Unlike many other businesses, dairy farmers are effectively “price takers” who cannot directly influence the price paid for their produce. They are however sure of an outlet for their milk, they are not involved with its conversion to added value products and have no role in its distribution or its marketing.

Consumer sentiment and public opinion are also areas that an individual farmer can have very little influence on.

While it is important to understand and be aware of these issues it is equally important not to allow them to consume too much of your time and energy - simply on the basis that you cannot influence them.

The main issues that can be controlled and that need to form part of a plan would include the following:

- Work practices / skills improvement/ continuous professional development
- Grassland management



- Animal husbandry, breeding, genetics
- Opportunities / Scale
- Labour
- Animal Health
- Financial management
- Condition and suitability of the farms Infrastructure (land, buildings, facilities)
- Possible long-term capital investment
- Group purchasing

FARM APPRAISAL / INFRASTRUCTURE AND SKILLS

It is very evident from our extensive interaction with a diversified portfolio of farming clients that each farmer's circumstance is entirely unique.

Some are fortunate to have ideal fertile, free draining land contained in one block with a centrally located farmyard and all the required infrastructure in place.

PROTECTING THE BOTTOM-LINE

Barry Murphy, Deputy General Manager

Others are faced with far more challenging circumstances such as non-connected land blocks, heavy soil conditions and a farm infrastructure requiring significant investment.

Some farmers will have considerable land rent others may have heightened forage purchases. More will spend money on machinery repairs whilst others will have higher contracting costs.

Consequently, farmers must appraise their costs of production against their specific farm circumstances. They must credibly identify the places that cost savings can be made on their own farm and the places where long-term investment is required if their overall goals are to be realised.

Attending such events as the IGA Dairy Conference will potentially provide farmers with large volumes of relevant technical information, reports on farm trials and individual farm case studies. These cases are usually exceptional examples of the principles of farming being executed and are certainly informative and interesting. However, the core messages and suggestions are not for everyone. Every farmer needs to distil the information and make sure it has a direct relevance to their circumstances and overall ambition for their specific enterprise.

FIXED COSTS AND VARIABLE COSTS

Protecting profit margins is a primary objective of any successful business model.

Everyone needs to actively manage costs of production when supplying milk. In addition, the farmer with the lowest cost of production is likely to be best placed to protect their profitability position.

However, the long-term ambitions and sustainability of a farm can be compromised by focusing on annual profitability in isolation.

Correctly, over the last number of years there has been a huge focus on managing farm variable costs/inputs. However, the willingness (and sometimes courage) to accept increased fixed costs in the context of a long-term enterprise goals needs to be incorporated in the farm plan. Constantly pushing your farm and stock to the limit each year in pursuit of a lean and profitable may not be the best approach in the long term in many situations.

As sustainability is becoming a central theme, fixed costs will become an increasing proportion of farmers overall costs of production. Individualised investment will mean the difference in using sustainability to perpetuate a dairy farm forward or serve to erode margins and reduce the businesses long-term viability. The appropriate capital input should result in increasing the overall net output of the business as an off-set to the increased fixed costs.

A prime example of this behaviour is the minimalist attitude to the investment in infrastructure on some farms over the last number of years. Building short lived infrastructure to maximize immediate return effectively **“kicks the sustainability ball into touch”**. By sacrificing facilities, you potentially compromise the retention of labour on farm and the environmental sustainability of the site. In addition, it is becoming increasingly apparent that our production expectation for our dairy cows has increased dramatically.

Consequently, many of these facilities are sub-optimum to rear and milk the quality stock required to generate a sustained and long-term return on capital invested. Furthermore, taking the long term, capital intensive nature of a dairy enterprise, a minimalist approach to on farm investment will lead to a requirement for re-investment in the **“value for money”** facilities erected **10 to 15 years** previously. This type of approach has its place in certain circumstances but should not be applied in the majority of expanding or progressive farms.

In the context of sustainability, farmers must thoroughly examine their own business model and manage the day to day farming with one eye always on the horizon and their sustained future in the industry. By being aware of the relevant external factors such as weather, price and policy, farmers can plot their course in the industry. Whilst there will be years of poor prices, poor weather and possibly years of both, these cannot shake the foundations of your business model.

CONSISTENT ATTITUDE

The dairy industry is subject to what I term a **“cycle of opportunities”**. Prices fluctuate, weather events occur, and input costs change. Farmers need to be wary of how these cycles / variations influence their short-term decision making and protect against being too reactionary. Accepting and managing these peaks and troughs is essential within the context of a long-term goal.

A second key message that I am keen to emphasise in terms of attitude is that farmers cannot expect the next generation to fund capital investment that they should have perhaps made themselves many years ago while at the same time expecting the farm enterprise to provide for them in their retirement.

CONCLUSION

What we realise is that **“protecting the bottom-line”** means different things to each farmer. Maximising profits will play a central role in the goals of a farm but not exclusively. I believe farmers must consider the bottom-line in the context of a long-term business strategy, they need to avoid being reactionary to market and weather events and be careful of sailing too close to the wind. At some stage we will face the perfect storm of both poor weather and poor price combined. A farm enterprise managed and positioned for a long-term goal is, in my view, better prepared to face such challenges when they occur.

REDUCED RATE OF CAPITAL GAINS TAX

Siobhan Healy, Chartered Tax Adviser

The transfer of business (including farm) assets, either by way of a third-party sale or a gift within a family to the next generation is treated as a disposal for tax purposes. As a result, it is within the scope of Capital Gains Tax (CGT). Any gain/deemed gain arising may be liable to the standard rate of CGT which is currently 33%.



There is however a relief (known as revised entrepreneur relief) which provides for a much more attractive rate of CGT of 10% which may be available on gains arising on such disposals provided certain conditions are met. This reduced rate of CGT was initially set at **20%** when first introduced in 2016, it was subsequently reduced to 10% from 1 January 2017.

In order to qualify for the relief, the “**qualifying business assets**” must be owned by the individual for a continuous period of at least 3 years out of the 5 years immediately prior to the disposal. There are certain assets which are excluded from the relief including; assets (including shares) held as investments, development land (which would rule out sites) and assets held personally outside a company which are used by the company.

Where the business is carried on by a company, it is necessary that the individual hold at least **5%** of the share capital of the company. It is also necessary that the individual must have been a director or employee of the company and have been required to spend at least **50%** of their time in the service of the company in a managerial or technical capacity for 3 continuous years of the 5 years prior to the disposal of the shares in the company. The relief may also be available on the liquidation of a company and on the disposal of partnership assets.

This relief may be a viable option where retirement relief is not available given that the conditions are less onerous. In fact, even where the conditions for retirement relief are met, it may well be that this revised entrepreneur relief will give a lower tax charge.

While the relief is beneficial, it is currently subject to a lifetime limit of **€1m**. The equivalent relief in the UK is much more generous with a limit of **Stg £10m**. In light of this, there has been much lobbying for the increase in the current limit applicable here. In fact, as far back as February this year the Minister for Finance agreed to review the provisions of the relief in its current form. More recently, the increasing of the limit has been included as a recommendation in the Pre-Budget 2020 submission made by the Irish Tax Institute.

In his recent budget speech, here's what the Minister had to say “Following the findings of an external review of the revised Capital Gains Tax Entrepreneurial Relief, I do not propose to make any changes to the relief at this time but have asked my Department to consider the outcome of the review to determine any changes that could be made to the relief to better support entrepreneurs and entrepreneurial activity”. In light of this, it is expected that there will be changes made to the existing provisions in the future.

TAMS - ISSUES ARISING WITH APPROVALS AND CLAIMS

Denis Fitzgerald, Agricultural Consultant

The final, tranche of TAMS II is set to close on 12th January 2020. It has been in existence since July 2015 and many farmers have availed of grant-aid for an array of investments ranging from animal housing to dairy equipment to mobile equipment and much more besides. The list of investments eligible for TAMS grant-aid has been added to since 2015, with the most recent addition being solar photovoltaic equipment for energy generation.

As anyone who has been through the process will know, TAMS is set up in such a way that the applicant must apply for, and receive, TAMS approval first, then spend the money on the investment and then apply to claim back the grant. All applications and claims are submitted online with scans of documents and drawings uploaded as necessary. While the majority of these applications are processed without too much fuss, some of them can be delayed quite significantly. Quite often these issues are straightforward but sometimes they can be more complex. In our time helping farmers to apply for approval or, more particularly, for drawdown, FDC Agricultural Consultants have found that the issues holding up the application tend to fall under one or more of the following headings:

- **Planning permission:** where required, a copy of the full planning permission with conditions needs to be submitted. Provisional planning approval is not sufficient.
- **Dimensions:** the dimensions of the various investments or sub-investments need to be set out clearly on the drawings.
- **Name/Address:** the details included on invoices and/or certificates should match those on the Dept system, e.g. joint names, partnerships, limited companies.
- **Title:** for items such as buildings or dairy equipment, proof of ownership or lease must be submitted. Where the farmyard is owned, a Land Registry Folio with Folio Map is normally submitted

but other Land Registry documentation or Registry of Deeds documentation may also suffice. For limited company applicants, the farmyard is normally leased in to the company, this lease must be stamped with Revenue and have at least five years left to run at the time the Dept are ready to pay the grant.

- **Certificates:** as well as the name/address issue mentioned above, other problems can arise with certificates such as dates or the description of the work involved. We have also found a particular issue regarding the certification for crushed stone (also called aggregate), which can be surprisingly difficult to obtain.
- **Young Farmer:** in order to qualify for the extra 20% grant-aid payable to young farmers, they must actually have the appropriate agricultural qualification in their possession. They may have passed all exams and finished their course but unless they have been awarded their scroll, the Dept won't be in a position to pay the top-up.
- **Tax Clearance:** in order to be able to do any work on a TAMS claim; the tax clearance details of the applicant(s) need to be given to the local office of the Dept first.
- **All contractors or suppliers** also need to have Tax Clearance status and not having it can lead to delays, or even penalties for the TAMS claimant.
- **Inspections:** the Dept select a small percentage of claims for a thorough check. It can take some time for this inspection to actually take place. It usually involves an on-site inspection to assess the TAMS investments and to check the original paperwork. There will be also checks to determine how and when the investment was paid for.

Some of the issues mentioned above are outside the direct control of the TAMS applicant and it can require a significant effort to address them in order to be able to draw down the grant-aid.

Meet new FDC employees



Marion Daly

I joined the Midlands Region on the 1st January 2020. I am working as a bookkeeper and prior to my move I worked for FDC Financial Services for 5 years. I am a QFA and based in Tipperary Town.



Sandra Pavincic

I began my career at FDC in September 2019. I was offered full-time position as a Trainee Accountant. I am also studying for ACCA qualification with Accountancy School.

As part of my ACCA journey, I will graduate 2021 from Oxford Brookes University with Bachelor's Degree in Applied Accounting.

Zurich Farm Insurance shares some top tips to help FDC clients reduce risk on their farms and, in turn, help you control your insurance cost.

Many factors combine to calculate your premium. Claims history and an individual farmer's attitude towards risk management are two key factors. Losses happen but you can take steps to ensure they're less serious, in turn helping your insurer offer you the best possible terms. Analysis by Zurich shows the top types of farm losses are:

- o Accidents relating to farm machinery.
- o Fire damage to property and buildings.
- o Accidents and injuries to farmers and employees.
- o Loss and damage involving livestock.

Most of these can be reduced or avoided through simple risk management and by identifying hazards.

PREMIUM TIPS

Here are some top tips to help you mind your premium.

Good housekeeping helps to reduce trips, falls and liability claims.

- Keep your farmyard clean, tidy and clutter-free.
- Store/park machinery safely.
- Move scrap metals and ensure you have adequate lighting.

Assess your property for hazards you can quickly and cheaply improve.

- Maintain buildings and be aware of the Safety, Health and Welfare at Work.
- Construction Regulations (2013) and only use competent and insured contractors.
- Ensure electrical installations and fittings comply with regulations and carry out regular inspections.

Manage your livestock to reduce kicking, goring and crushing losses.

- Have good handling facilities and ensure pens, fencing, crushes and calving gates are of a good standard and adequate for breed and herd size.
- Permanently and adequately maintain stock proof fencing particularly on road sides. This helps to avoid serious accidents or needless claims by third parties such as damage to lawns.

Regularly inspect machinery, so you can rectify defects immediately and minimise loss or injury.

- Regular maintenance minimises the risk of fire and makes equipment more efficient.
- Always store tractors, combines and machinery well away from combustible materials like hay or straw.

Actively use your safety statement to help reduce risk.

- Have a safety statement (or risk assessment if less than three employees): it's a minimum legal requirement on all farms.
- It's really useful to help identify, assess and control risk.



- Properly train employees using machinery or carrying out risky activities; if they're injured it could fall back on you.
- Ensure all work areas and fields are free from any debris like wires or stakes when using agricultural contractors.

WHY FDC RECOMMEND ZURICH FARM INSURANCE

FDC have negotiated a fantastic farm insurance deal for our clients.

As an FDC client, Zurich will help you tailor your insurance policy allowing to protect what is most valuable to you and you can rely on our support for many years to come availing of additional benefits.

With Zurich Farm Insurance you will receive a full farm visit, concentrating on the adequacy of the sums insured and ensuring you have accurate liability cover for employees. You will receive clear direction around cover for farm entities and limited companies. With a history of settling 99%* of farm insurance claims, they will be there for you when you need them.

To find out how you can avail of these excellent benefits, contact your local FDC branch.

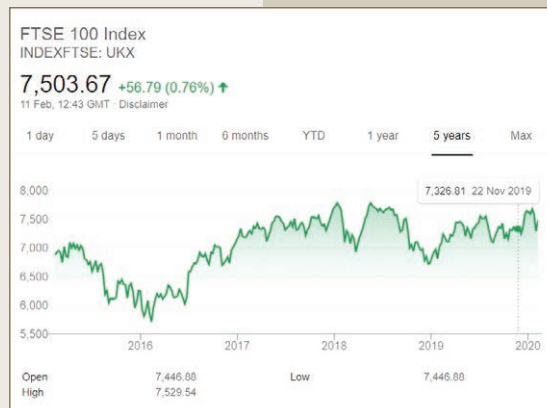
* From January to December 2019, on average Zurich paid out on 99% of motor, home, van and farm insurance claims.

FINANCIAL MARKET INDICATORS



ARYTZA
5 YEAR GRAPH.

FBD
5 YEAR GRAPH.

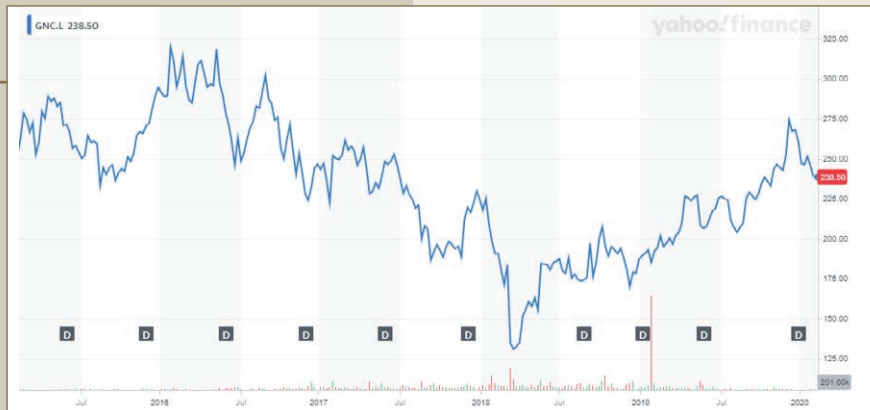


FTSE

GLANBIA



GREENCORE 5 YEAR GRAPH.



ISEQ 5 YEAR GRAPH.

KERRY GROUP 5 YEAR GRAPH.

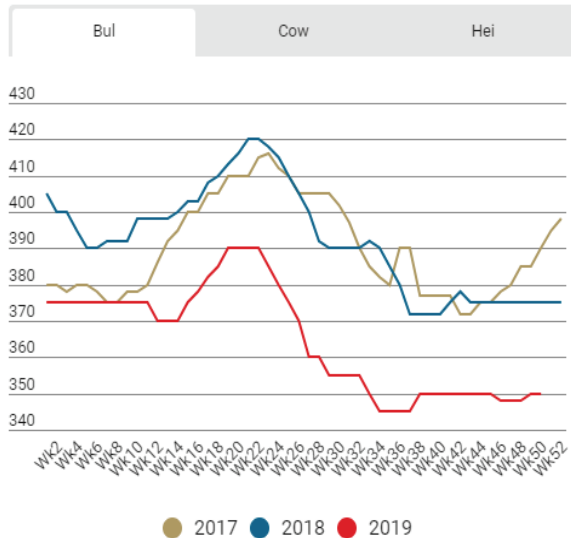


S&P 500 5 YEAR GRAPH.

KEY AGRICULTURAL COMMODITY GRAPHS

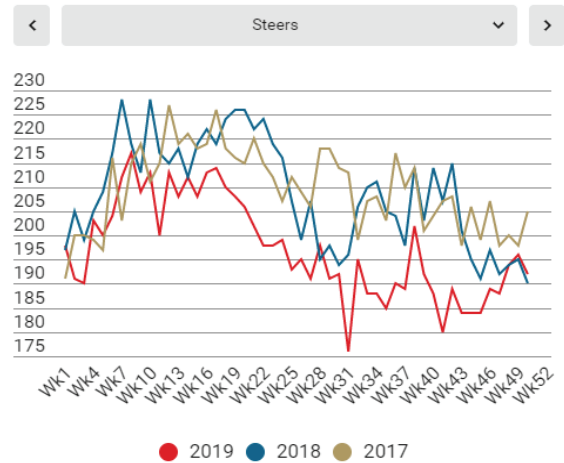
Average factory prices (c/kg incl VAT)

Under 30 months R Grade bullocks; O Grade cows; Under 30 months R Grade heifers



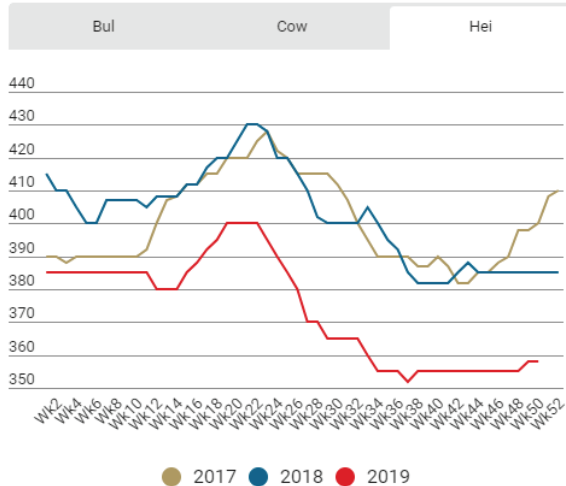
Average mart prices (c/kg)

500-600kg steer; 400-500kg heifer; 300-400kg weanling bull; 300-400kg weanling heifer



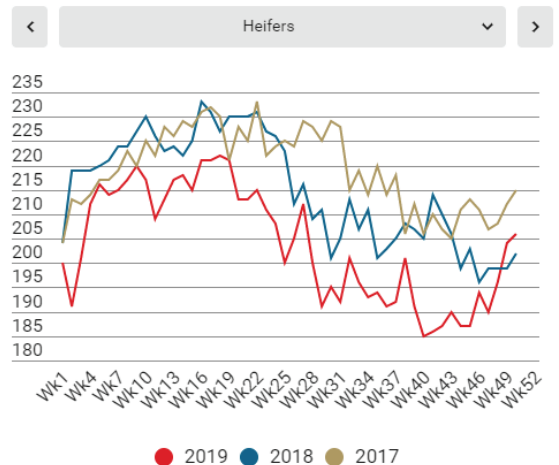
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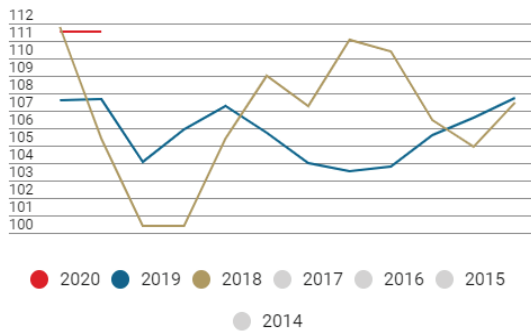


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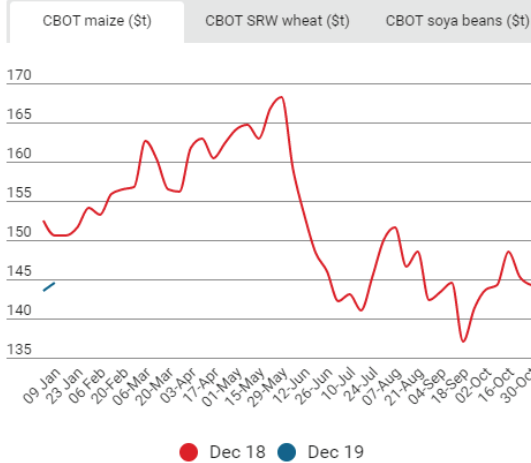
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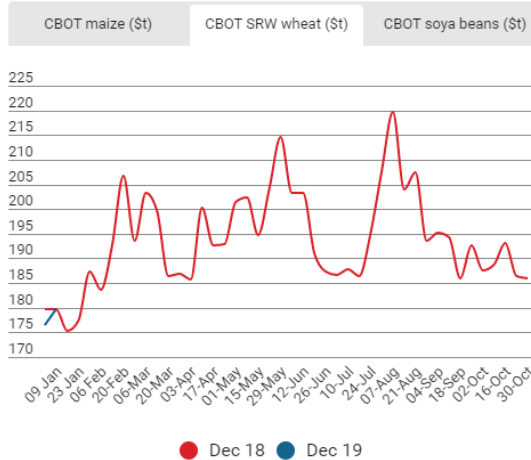
Ornua PPI index



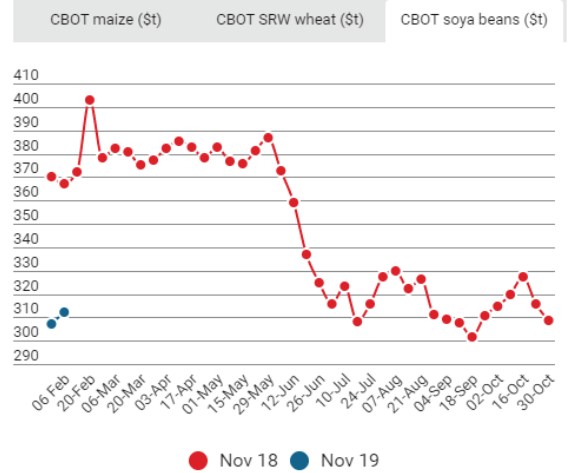
Chicago (CBOT) prices



Chicago (CBOT) prices

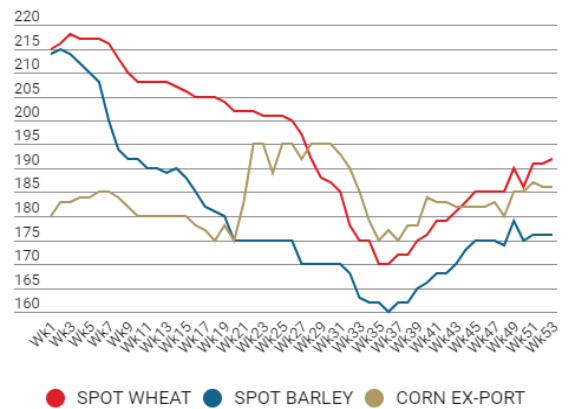


Chicago (CBOT) prices

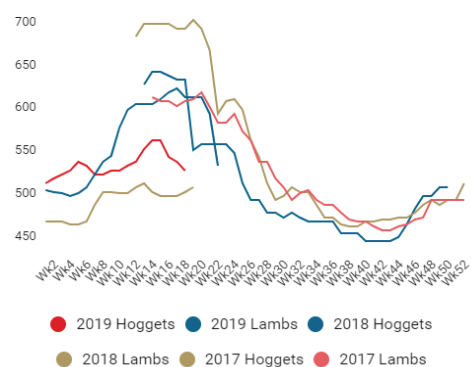


Grain prices

Futures wheat price (MATIF) for December 2018 (€/t), SPOT native wheat 2017 and 2018, SPOT barley and SPOT corn ex-port (€/t) Weekly spot raw milk price, 4.4% fat (c/l)



Average factory sheep price (c/kg)



CORK

4/5/6 Patrick's Quay,
Bandon, Co. Cork.
Tel: 023-8841744
Email: bandon@fdc.ie

14 North Street,
Skibbereen, Co. Cork.
Tel: 028-21818
Email: skibbereen@fdc.ie

Newtown, Bantry,
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Tel: 027-52323
Email: bantry@fdc.ie

The Clock House,
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Email: lismore@fdc.ie

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Email: fswaterford@fdc.ie

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Email: tipperary@fdc.ie

5 Castle Street,
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Email: carrickonsuir@fdc.ie

Church Street,
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WEXFORD

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