

## Turbulent Times

Ramsey Clark... not a name many of you will know. He is a former US Attorney General that really underlined in words what the following is all about 'Turbulence is life force. It is opportunity. Let's love turbulence and use it for change.'

There can be no argument that turbulence/volatility is all around. In a world that is driven by finance the break on this rollercoaster has well and truly been released and the foreseeable future will be as volatile as it has even been.

The bit I find it difficult to get my head around is why more of us aren't using this to our advantage and planning for this or taking steps to insure against it?

Selling crops forward, for example, has become a relatively well established concept to hedge or protect against volatility (turbulence) in price. It is in essence a type of insurance.

I believe now is the time to take the opportunities that are available. Structure your business to deal with the turbulence all around. This is my very brief guide to taking these opportunities. I will start with a disclaimer and say that any of this very much depends on individual circumstances and you must seek professional advice before acting:-

**Interest rates** ~ it is finally dawning on most people that rates cannot get much cheaper. The spectre of inflation is out there and the smart money is on high inflation in the medium term with subsequent higher interest rates. Do not be lured in to a false sense of security by the historically low interest rates out there at the moment. Money has never been so cheap and it seems an opportune time to restructure any hardcore debt and consider hedging against future increases in rates. On the opposite side of the coin do not rush into long term deposits for surplus cash.

**Exchange rates** ~ your obvious exposure is to the Euro. As I write this sits at about 1.13. This means that a farmer getting an equivalent €100,000 cheque for the 2009 Single Farm Payment will receive approximately £88,500. Last month this figure was £91,000. If we went back to 2006 when the rate was 1.44 that drops to £67,770. Do not be fooled by the weakness of Sterling. I will argue that the Eurozone economies have many of their problems firmly (hiding) under lock and key. They will have to be released sooner or later just as the UK's have. If this is before the exchange rate is set for the SFP at the end of September we could be in for a rapid readjustment of the £/€ rate back to historic levels. Currency hedges as with interest rate hedges are relatively common nowadays and it is my advice to at least consider this route.

**Business structure** ~ now is the time to review business structure to provide flexibility in what we know, regardless of a red or a blue Government, is going to be a higher tax environment. There are a whole host of tax planning options available to businesses in this industry that simply do not exist elsewhere. Asset values are low and this is the perfect environment for restructuring or gifting assets. If nothing else you should have a health check of your structure to ensure it achieves what you want it to. Advisers are not psychic and they have to know what it is you want, this may not be as simple as 'I don't want to pay tax'. I hope that the Treasury will be too busy to do much meddling with legislation and that the Budget on 22 April will be relatively benign but why risk it.

Remember turbulence is indeed opportunity.

