**Iorwerth Williams Podcast**

**Aled:** Hello and welcome. You’re listening to episode 54 of Ear to the Ground, the Farming Connect podcast that supports Welsh farmers to adapt and thrive. In this episode, we are joined by the accountant from Porthmadog, Iorwerth Williams. Iorwerth has vast experience working with farms and diversified enterprises. And in our chat, he reveals the characteristics that make a successful business.

**Iorwerth**: Hi, I’m Iorwerth Williams. I’m a chartered accountant working for Dunn & Ellis in Porthmadog and Menai Bridge. In terms of my background, I’m not a farmer’s son but I am from a farming background, I was brought up in a farming household, in a very agricultural area, and then from there, I had all kinds of opportunities when I was young, working on a dairy farm, sheep and beef, chickens, farms that had diversified into all kinds of industries.

**Aled**: So, you’ve had this interest in farming for years now?

**Iorwerth**: Yes. And that interest then took me further, to university in Aberystwyth where I studied for a degree in agriculture and business, I met a lot of good people there. And then, from there, I went on to work for Deloitte, in Cardiff and London. By now, Deloitte is the biggest accountancy company in the world. I can’t take credit for that because it wasn’t at the time. I worked with them on all sorts of big businesses in Cardiff and London. I spent some time in Switzerland as well.

**Aled**: What kind of work were you doing with Deloitte? It wasn’t farming work, was it?

**Iorwerth**: No, not at all. Although I did do something that was slightly related. I did get to do something on a dairy farm, Diary Gold the name of the dairy farm in West Wales I think. But it wa auditing work, so someone else was doing the accounting and I was going and auditing the accounts to make sure they were all correct. And then I did quite a bit of corporate tax work as well.

**Aled**: I see. And that work, you were working in Cardiff mainly, but it took you to different areas and to London regularly too?

**Iorwerth**: It did, I spent a lot of time in London, areas all over London to be honest, I’d go for three, four weeks at a time, staying in hotels. Everyone at the time thought, wow, what a great life, but there were two things I always missed, and that was a sofa and baked beans. You soon get fed up of eating out every night.

**Aled**: I can imagine. After working at Deloitte for a period, that urge you had to come back to North Wales was strong. But you decided, before coming back to Dunn & Ellis here in Porthmadog, you went traveling around the world for a while.

**Iorwerth**: I remember Sion, the partner at Dunn & Ellis, asking me to come and work here and me saying, ‘well, there’s one thing I’d like to do first,’ and so we agreed to move my start date forward a bit and then I got to go traveling for half a year, to the same places everyone tends to go, I suppose. South-East Asia, Australia, New Zealand, Fiji and then South America. It was an incredible experience. And then I came back then in 2007 and started working here. It was totally different from anything I’d ever done before, I had to start from scratch in a way. I had never done tax returns for a farm or for individuals, or anything like that, it was a steep learning curve, especially because everyone assumed, because I’d already qualified as a chartered accountant, that I knew everything.

**Aled**: Being thrown in the deep end then, having to go straight in. You have quite the cross-section of clients, farmers, of course, but also all sorts of businesses, food, pubs, a range of different things.

**Iorwerth**: Yes, we’re extremely fortunate. Of course, in the area we’re in here, North-West Wales, agriculture and tourism are extremely strong, so we see a lot of these two industries here. But like every other area, you have your garages, your shops, you have all sorts, and sometimes the most bizarre things come up, someone selling something online that you’ve never heard of, so there’s a great variety, it’s a breath of fresh air when you come in and you’re able to have that kind of variety.

**Aled**: And I would imagine that there are more new businesses now that have started up in the last year, year and a half, as a result of the pandemic, maybe, people who have turned their little hobby on the side into some kind of business, given that so much business is done online nowadays?

**Iorwerth**: Yes, possibly. I can’t say I’ve seen more in the last eighteen months than in any other period. But I’d say, in general, that there’s an increase every year in the number of people who are setting up businesses themselves and just going for it. It’s good to see people going for it, you just hope that people are able to get the help, the boost they need when they’re just starting out, because at the beginning it can be difficult.

**Aled**: Yes, definitely. And of course, agriculture is the main focus of this chat, and of course you work with lots of agricultural businesses. The question I have for you is, is running a farm a business or a way of life? What’s your opinion?

**Iorwerth**: I have a strong opinion on this. I’m sure people who are listening to us are fed up of me saying this, but for me, the saying that I would use in response to that, which sort of turns it on its head, is that you need to treat running a farm like a business in order to maintain the way of life.

**Aled**: That’s a good way of putting it.

**Iorwerth**: It’s not just a way of life that you can forever, you need to treat it as a business in order to keep the way of life.

**Aled**: Yes, you need to make sure that the financial foundation is strong, because both things are closely linked, and that’s where farming is different from other businesses.

**Iorwerth**: Exactly, and you see that if you look at a farm’s set of accounts. You’re allowed to include a certain amount of your house costs and living costs, which doesn’t happen in other industries. And then the farmers sit round the table, often the kitchen table, and that’s where a lot gets decided, not in an office, not in a workshop.

**Aled**: And often, of course, they’re family businesses and every generation has different ideas, and I’m sure it’s interesting for you working with families, often, when you go through their accounts at the end of the year, analysing the information, and we’re in the middle of a period of significant change at the moment. I’m sure this is a topic you discuss regularly with your clients. The subsidies are going to decrease, the basic payment scheme is coming to an end, and it’s being replaced with a new scheme, a sustainable farming scheme. So, there’s a certain amount of uncertainty, in terms of how big the payments will be in the future, what sort of work will be expected of farms in order to be eligible for these payments, much more of a focus on environmental work, of course. And now, this year, there’s been quite an increase in the price of concentrate feed, fertilisers, fuel, but also on the other hand, there’s been an increase in stock prices in general. Lots of things are changing. How do you interpret all of this? What’s your vision for farming, taking all these facts into consideration?

**Iorwerth**: My view on the industry is extremely positive, because over the last years, we’ve seen a lot of young people coming in, and they have their own ideas and they’re also very open to sharing information, listening, researching and looking at other systems, they don’t feel that they have to follow the same systems that their fathers and their grandfathers have been using for the last half a century. And you see a lot more of that, because things like Farming Connect are available to give advice to people and there are programmes like Prosper from Pasture. I’ve seen a big change in farm results as a result of this programme, I’d go so far as to say as a direct result of Prosper from Pasture. If someone told me that the government had a pot of money instead of the basic payment, and asked me what they should do with that money, I think I’d say that everyone should be put on the Prosper from Pasture programme for a while. Because even if only a portion of those farms change and follow what they’ve learnt, I think, as a whole, the farming industry in Wales would be making a huge step forward. Because at the end of the day, what we’re doing is reducing costs. And in a way, we’re in an industry where, on the whole, we produce things for the mass market, and because of that, we are what you’d call ‘price-takers’, and the only thing we’re able to control is costs. And if we start with soil quality, and we start with pasture management and doing rotational grazing, or intensive rotational grazing, or whatever, it cuts out a lot of those costs. And the results that have come from that, so far, have been astounding, I think.

**Aled**: That’s interesting to hear, from an accountant, that you’ve noticed that those who have changed their pasture management systems, quickly, the positive effects on the business’s financial performance are clear to you as an accountant. That speaks volumes. We’ve done lots of podcasts about rotational grazing, techno-grazing, cell-grazing, there are lots of different labels for pretty much the same thing. But it’s interesting to hear that pasture management has such an effect and an influence.

**Iorwerth**: What you don’t realise is how important that break-even point is. In a good year, when prices are good, that break-even point isn’t that important. But, when prices go down, you quickly realise that the break-even point is extremely important. And then if, in that good period, instead of resting on your laurels, you go about trying to chip away at costs, trying to bring costs right down, when that bad year does come, you’re prepared for it, and you’re in a much better position.

**Aled**: And, of course, you’re in a fortunate position where you work with lots of big businesses and you can see what kind of management leads to good performance. And as we mentioned in our chat before we started recording, as it happens, it’s not always about the field you’re in, but more about the way you manage it, that’s the secret in a way, or the way of telling whether a business is going to be profitable or not. What are the qualities you notice in your clients’ businesses that lead to success?

**Iorwerth**: You asked the question of which industry makes the most profit at the moment, and in the same way, another question that often comes up is, what kind of farmer makes the most money? But I don’t think it’s to do as much with the system. There’s one thing that’s more important than anything else, which is head and shoulders above everything else, and that’s the individual themselves, and that individual’s way of thinking. If you put a brilliant person in any system, they’ll come out of it having made incredible profit. That individual is often motivated by profit rather than tax. They don’t tend to obsess over how much tax they’re paying, they obsess over how much profit they’re making. They also know how much they have, in terms of assets, and how to make the best use of what they have. They don’t necessarily have to have a lot to begin with, there are plenty of examples of people who, these days, haven’t come from farming backgrounds, who have started and are doing extremely well for themselves. There’s also another thing that they’re able to do. They have the ability to focus on the important things. Whereas often, you see people obsessing over little things like, am I spending slightly too much on electricity? But that’s a tiny thing, the bigger picture is that we spend 80% of our time on the important things, the things that make a big difference to our account, not on the tiny amount we could be saving. We might be able to save £100, £150 in a year on electricity, but we shouldn’t obsess over that. And then the second thing, in terms of important qualities, is the system. You’ll see that there are all kinds of systems, and some systems tend to work better than others. But also, what I’ve seen recently is that there are some systems out there that suit more people. And if more people go for these systems, it means that the industry itself will be in a slightly stronger position whenever prices do drop.

**Aled**: Have some of the businesses that you work with had that discussion with you about how they could be profiting, if they were to put all the subsidies to one side? It’s a fact that in the case of many businesses across the country, they rely on the subsidies to support the business. But if they were to put those to one side, how many of them would really be able to look at how they could be profitable without subsidies?

**Iorwerth**: Unfortunately, not enough people are looking at this. What will probably happen is that those would have to disappear first before people feel motivated to look into it seriously. There are some people who have already looked ahead, of course, and they are one step ahead. But most people tend just to react to the situation they’re currently in. And then find their way out of a hole, often. When it does happen, of course, then people will adapt, but it’s just a shame that people aren’t looking at it now, in advance.

**Aled**: But we’re all busy in the middle of it all now in this current situation, there’s inflation, as I mentioned earlier, fertiliser prices have gone through the roof. Fuel prices have gone up, the price of concentrate feed too, but market prices have been surprisingly strong this year. I’m sure you’ve had a chance to look back and reflect on the past year, what stands out for you in terms of this year’s accounts?

**Iorwerth**: I think, on the whole, I’d say it’s been a great year. Prices have been extremely good over the last eighteen months. Obviously, if I were to say that to any farmer, they’d come back and say yes, but the price of concentrate food has gone up, the price of fertilisers has gone up enormously. But that’s a small percentage of sales overall. Out of the increase in sales, only a small portion of it has been lost on that increase, those prices. And I worry sometimes that we talk the industry down. We’re lucky, in this area in particular, there are plenty of young people who are desperate to get into the industry. But I worry sometimes because people do tend to the talk the industry down so much. If something good happens, we always look for the problem, instead of saying, ‘it’s been a good year’. And because of that, I’m sure we put a few people off entering the industry, and that we create this kind of fear. We create a kind of barrier that doesn’t need to be there.

**Aled**: Yes, we need to get into the habit of celebrating success and be prepared to be more open. It’s been a good year this year. And we need good years, because there have been years that have been more challenging, and the long-term average is often what’s important. The fact that prices are up this year has, I’m sure, led some farmers to think, wow, do we really have to spend so much on concentrate feed? Do we have to spend so much and use so much fertiliser? There have been experiences in the past, in years like 2016, when milk prices were extremely low. That encouraged businesses to look at things and think, we could make cuts to some of these costs, these inputs. And some worked in favour of the business.

Iorwerth: Rather than seeing things as a problem, we should look at them as a challenge instead. And the challenge in 2016 was that costs stayed the same, more or less, but the price of milk dropped enormously. And then what happened then, which is what we discussed earlier, is that when someone reacts to the situation they’re in, in order to get out of that hole, what a lot of people did was reduce the quantities of concentrate feed they gave to their animals. Warnings came from all angles. Warnings came from flour companies, don’t do that, litreage will go down, and warnings also came from the fertility side, saying that cows wouldn’t stand to be mounted by bulls. But of course, they did stand. The litreage stayed the same, and then what happened the following year, when prices went back up, was that profit rocketed that year, because people didn’t go back to feeding in the same way that they had been feeding the year before. And then we saw a huge increase, and it was a challenging year for us because we had to explain how there were tax bills after a year where we hadn’t had any tax bills. But there we go. And in a way, in the situation we’re in currently, what you notice often is that customers have been discussing what they’re going to do with fertiliser, and I’ve spoken to some who say they’re not going to use fertiliser in rotational grazing, others who are going to reduce stock, and others who are going to put much more of an emphasis on slurry testing and seeing what they have in that slurry, so that they reduce the need for fertiliser, or maybe they decide to get something more specific that will work better. And that’s great, I think that is a long-term solution to the problem.

**Aled**: A good example of precision farming, in a way, targeting exactly what’s there and making improvements based on the resources and the slurry and what you have on the farm. Managing and knowing where you’re going as a business, you need to keep an eye on the accounts, and more and more people these days use financial software to keep an eye, more or less in real time, on things like performance, what goes in, and the cash flow in and out. You’re familiar with the kinds of accounts that help businesses make business decisions, and importantly, those 9-month accounts. That’s your chance to get a fairly accurate picture of what the year will look like, and it’s a chance to decide on how much spending is appropriate, and to do any extra work to ensure that farms don’t pay too much tax. I’m sure everyone asks you, Iorwerth, to make sure that they don’t pay more tax than they have to every year.

**Iorwerth**: In terms of these quarterly account, I think we see a lot more of these now, because people use things like Xero, QuickBooks, Sage, there are several others that are geared more specifically towards agriculture as well. But the quarterly accounts are more for internal use, to benchmark against the same quarter the year before, to see where you are. And maybe to benchmark against someone else’s accounts. But in terms of the 9-month ones, these are something we do a lot of. When people come to us with their 9-month accounts, we give an estimate alongside those nine months of what we expect the next three months to look like, and then that gives a sort of estimate of the next twelve. You can look at it then and figure out how much the tax bill would be if you were to do nothing about it. But once those twelve months have passed, it’s too late. So that’s the only window, it’s a small window, six to eight weeks is all the time you have to something about it. That gives you the opportunity. As long as you use that period to spend on the right things, and not just spend money on anything, it’s fine.

**Aled**: You’ve touched on an important point there. Because often in the farming industry we hear about this obsession with not paying too much tax, we hear about farmers who’ve gone out and bought a new tractor, or a new shed, just in order to avoid paying tax. Is that kind of spending ever wise?

**Iowerth**: There are two things to say here. The tax man will get his money, whether you like it or not, because if you go out and buy a new tractor, then the dealer will be very happy, and the dealer’s going to pay his tax, he won’t worry about it at all. But then from your point of view, the second point is really that you have to sit back first of all and think, do I really need this tractor? Or do I really need this machine? Or do I just want it? There’s a big difference between those two words. Needing and wanting. And to be honest, by now, the price of a new tractor is so high that I’m sure there are many people who would find it hard to justify buying a brand-new tractor. And if they were to do the calculations, they would certainly find it hard to justify. And in a way, there’s a saying, isn’t there? *Don’t let the tax tail wag the dog*. And it’s important, this is more relevant to the farming industry than to anyone else, I think. Because if I think about any of the other industries we deal with, none of them has that same obsession.

**Aled**: How interesting.

**Iorwerth**: Of course, they don’t *want* to pay lots of tax. But they’re not willing to go out and spend £70,000 on a new machine simply to avoid paying tax. They’ll take the tax bill of £14,000 and they’ll keep the £56,000 in the bank. And I always think, if you’ve got a huge tax bill, and someone turns round and says, you haven’t done a good job, you’ve got a huge tax bill now, and I see it as my job to put your family in as secure a financial position as possible whilst paying the lowest possible rates of tax, I’m not just thinking about how you can pay as little tax as possible. There’s a big difference between the two.

**Aled**: Yes, and it all comes down to how you look at it. Because obviously if you’re paying tax, you’re doing something right. Your business is profitable, and that’s important to remember. Farming is becoming a lot broader, of course. There’s more to a farm business now that just producing beef, sheep, milk, and all the other produce. Businesses are diversifying. Not that it’s a new thing at all, farms that are also holiday businesses, farms that have shops. There’s been big growth in vending machines in West Wales and other parts of Wales, that sell milk to the public. There are new elements coming into farming businesses, that are adding value, people selling meat in boxes, more and more of that is happening. It’s a good thing, in terms of introducing a new source of income to the farm. But would you advise, in terms of the accounts, that farms keep the accounts for the diversified business totally separate from the accounts for the farm itself? That you don’t mix them all together in one set of accounts?

**Iorwerth**: I would, yes. To start with, I would say that most farms, by now, are already diversifying in some way, because ‘diversifying’ is such a broad term. Diversifying can refer to someone who goes out to work, whereas before, everyone would work on the farm. Now, maybe one person, maybe two people go out to work. Diversifying is now an integral part of farming. But on top of that, I’d say that there’s a very high percentage of farms that are diversifying in other ways already too. And I think it’s a great thing. I think it helps to support this way of life that we’ve already discussed. But as you mentioned there, it’s extremely important that the diversification project isn’t subsidising the farm’s losses. It’s extremely important that we’re still making that gross profit on animals. Or, in a way, we should either be keeping fewer animals in order to make less gross loss, or we should be changing our systems anyway. But in terms of keeping accounts separate, for that reason, I would definitely do that. I’d say that any diversification project should be calculated on its own, totally separately, so that you can see that the diversification project is making this amount of money, and the farm is making this amount.

**Aled**: And just to draw this conversation to a close, what would be your financial advice, Iorwerth, considering all the things we’ve talked about, and for our listeners, who all run a business of some kind. From a financial point of view, what would be your advice for making sure that businesses are in a secure position looking ahead to the future?

**Iorwerth**: In general, I think the industry is becoming increasingly technical, increasingly digital, and increasingly scientific too. But we don’t all have to be scientists. The information is all there for us, if we use it. And there’s so much available through things like Farming Connect. For example, if you want to find out more about accurate slurry testing. If you want to test your soil, and analyse soil accurately, see what’s what, what goes with what, and there’s Prosper from Pasture of course too. It’s the same thing with breeding too. There are discussion groups too, there’s advice out there, and the information is there for us. It’s not the same as it was fifteen, twenty years ago, when you had to look really hard to find the information. The information is there for us. And it’s free in lots of situations. So, we shouldn’t be finding reasons not to look for the information. And for me, in terms of the financial side of things, I think what we need to do is to discuss more with accountants. What’s hard for me is when someone has made decisions throughout the year and then they come to me at the end of the year and say, ‘I’ve done this and that,’ and I think, if you had only waited three months, you’d have had a lot more tax reliefs. Or if you’d only done this differently, or that differently. I think it’s important to pick up the phone before making these big decisions and just chat things through. That chat is worth having. We talk a lot about mental health these days, and we talk about the importance of chatting, and the same thing is true in business in general. You need to chat things through and share ideas. And we must remember, there’s one saying that comes to mind immediately. It was Henry Ford who came up with the saying: ‘whether you think you can or think you can’t, you’re right.’

**Aled**: What a good saying. It’s up to you entirely. You can do it if you think you can, if you believe in yourself. Iorwerth Williams, thank you so much for joining us on the podcast today. It’s been extremely interesting, and the subjects we’ve discussed have been very topical. Brilliant advice, and once again, Iorwerth, thank you so much for the chat.

**Iorwerth**: Thank you.

**Aled**: If you’d like more information about the support that’s available through Farming Connect, get in touch with your local development officer or service centre on 08456 000813. Well, we’ve reached the end of another episode. We’ll be back in two weeks’ time with lots more to discuss. But in the meantime, don’t forget to subscribe on whatever platform you use, to make sure you don’t miss out on any episodes of Ear to the Ground. So, on behalf of the team at Farming Connect and me, Aled Jones, thank you for listening. Bye for now.