

# Stowmarket Monitor Farm

## Meeting 15: Improving Margins

3 February 2017

Wyverstone Village Hall, Stowmarket

### Speakers:

- Richard Reed – Novel Machinery Policy
- Jack Watts and Millie Askew – Gross Margins for Spring Crops and Grain Marketing
- Brian Barker – Farming to 2021

For more information, visit:  
[cereals.ahdb.org.uk/Stowmarket](http://cereals.ahdb.org.uk/Stowmarket)



*Brian Barker, Stowmarket Monitor Farmer*

## Meeting summary – key messages

1. Consider your machinery policy. Look at your fuel usage and cost/hour figures. Do your figures match the % expenditure vs income breakdown below?
2. The preparation starts **now**: take an honest look at what you're doing and your costs and remove Basic Payment Scheme subsidies.
3. Challenge every crop in the rotation economically – what is this crop doing for you over and above doing “nothing” (eg. a stubble or green mulch)?

### For further information, follow the links below:

- AHDB Market News:  
<https://cereals.ahdb.org.uk/markets.aspx>.
- AHDB New Market Centre:  
<https://cereals.ahdb.org.uk/market-data-centre/marketdatacentre.aspx>.
- Sign up for subscriptions to Grain Market Daily, Weekly Futures Prices, Market Report and Prospects by e-mailing  
[cereals.subscriptions@ahdb.org.uk](mailto:cereals.subscriptions@ahdb.org.uk).



## A machinery policy to manage fixed costs, Richard Reed

- **Why control fixed costs?**
  - **1983** Price of wheat: £120/t  
New International 3388 200hp tractor: £31,000
  - **2016** Price of wheat: £130/t  
New Case-IH Puma 200hp tractor: £90,000
- **Average age of machines:**  
Tractors: 18.8 years; Combines: 9.5 years; Sprayers: 17.5 years; Telehandlers: 15.5 years
- Could have spent twice as much on new kit without guaranteeing any more yield.
- Richard calculated the cost of having new kit compared to the machinery that he has today and would need an extra 548 tonnes of crop at £120 to cover the difference or 0.55t/ha.
- Disadvantages of older machinery:
  - Will the business appeal to younger staff?
  - Are we losing performance?
  - What machines will we replace and what with?
  - Are there health concerns?
  - Are we falling behind with technology?
  - Slow rate of growth?

### Benchmarking

#### % Expenditure vs Income



|                             | Target     | 2016     | %     | 2015     | %     |
|-----------------------------|------------|----------|-------|----------|-------|
| <b>Income</b>               |            | £932,500 |       | 1073000  |       |
| <b>Variable Costs</b>       | <b>40%</b> | £384,000 | 41%   | £370,000 | 34%   |
| <b>Labour and machinery</b> | <b>25%</b> | £136,450 | 14.5% | £144,600 | 13.5% |
| <b>Fuel</b>                 |            | £46,000  | 4.9%  | £42,000  | 3.9%  |
| <b>Depreciation</b>         |            | £140,000 | 15%   | £132,000 | 15%   |
| <b>Value of machinery</b>   |            | £350,000 |       | £350,000 |       |
| <b>Machinery:Income</b>     | <b>1:1</b> | 0.37:1   |       | 0.33:1   |       |

## Spring cropping gross margins

- Spring cropping needs more care and attention.
- Could be more niche crops – ask what they are doing for you over and above doing nothing?
- Are we growing too much barley? Potential risk of no malting barley premium due to the volumes planted. Think about the alternatives.
- If thinking about growing spring oats, peas, beans or linseed, they all need to be on a volume contract.
- Spring OSR could be a good gross margin for 2017?

### Estimated Spring Crop Gross Margins for 2017

|                       | For harvest 2017 (£/ha) | Year on year change (£/ha) | Year on year change (%) |
|-----------------------|-------------------------|----------------------------|-------------------------|
| Spring milling wheat  | 527                     | +49                        | +10%                    |
| Spring feed wheat     | 508                     | +51                        | +11%                    |
| Spring feed barley    | 429                     | -8                         | -2%                     |
| Spring malting barley | 527                     | +53                        | +11%                    |
| Spring milling oats   | 460                     | +71                        | +18%                    |
| Spring beans          | 394                     | +38                        | +11%                    |
| Spring OSR            | 478                     | +161                       | +51%                    |
| Spring linseed        | 383                     | -57                        | -13%                    |

Gross margins estimated as at early December 2016  
Sources: AHDB, Agricultural Budgeting and Costings book, Trade

## Grain Market update

- Globally saturated market of both wheat and maize.
- We have had a unique season of European deficits, which have led to UK price rises, not just currency driven.
- Factors impacting the 2017 crop price include: domestic supply and demand – yield, variety mix and quality; global production issues and UK relativity; further currency volatility; rebound in French production?

## Farming to 2021

- Need to have a plan for the business going forwards. We only have 7 months until we start planting a “post-Brexit” crop.
- E.J. Barker & Sons - 2017 Challenges include:
  - **Increase production:** *make more food using less inputs*
  - **Increase resource protection:** *build your soil, protect your water and filter your air*
  - **Increase biodiversity on your farm:** *expand your rotation, utilise cover crops, protect fauna and flora, build a full farm approach*
  - **Make a profit:** *benchmarking, marketing and diversify business.*
- Full Farm Approach:



## Next Meeting

**Summer Open Day:** Friday 30 June – Location and Timings TBC

**To attend the meetings, please contact your AHDB Cereals & Oilseeds Knowledge Exchange Manager:**

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**To find out more about AHDB’s benchmarking tool or to join the Arable Business Group, please contact:**

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