

Wantage Monitor Farm

Meeting 13: Drilling deeper to fixed costs

10 January 2017

Meeting held at Snells Hall, East Hendred

Speaker

Sebastian Graf-Baker

Andersons Midlands plc

For more information, visit:

cereals.ahdb.org.uk/Wantage



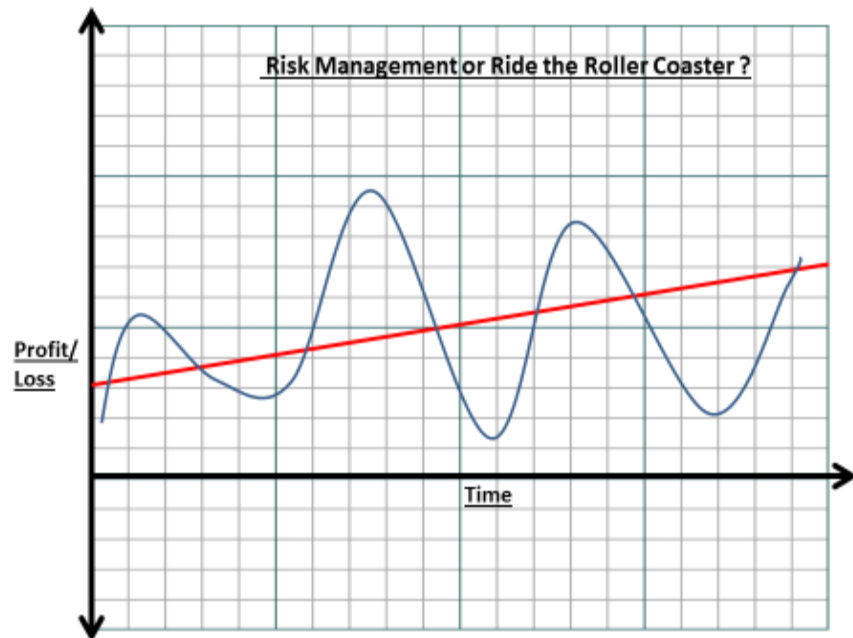
Wantage Monitor Farmer Julian Gold

Meeting summary – key messages

1. Averages are the enemy. Without detailed analysis, problems cannot be addressed properly.
2. Identify normalised profit levels and profit requirements of business.
3. Operating costs of the business are all fixed costs, capital repayments and private drawings. Calculate them per hectare!
4. What fixed costs are dedicated to the arable enterprise and can vary according to the size of the arable enterprise e.g. power and machinery, labour, contracting
5. Identify Gross Margin performance - between different crops and within fields. Convert Yield Maps to Gross Margin maps
6. Which crops generate Gross Margin that cover operating costs?
7. Ascertain if poorer performing crops or areas that do not cover operating costs can be improved
8. If there are areas where dedicated fixed costs can never be covered, then take out area and cost, or transfer cost to area that can service it.
9. Beware the illusion of additional area always achieving economies of scale.

Risk management and areas to address

- Identify your management strategy. What are you prepared to withstand?



- Use proportional analysis to identify business areas of strength and weakness compared to guidelines to help focus management attention.

	Target % of Output	2014/15 (820 Ha)	(£/Ha)	% of Output
Total Farm Output	100 %	1,059,936	(1293)	100 %
Total Gross Margin	70 %	666,761	(813)	63 %
Variable Costs	30 %	393,175	(479)	37 %
Fixed Costs				
Labour	17 %	147,815	(180)	14 %
Power + Mach.	17 %	226,140	(276)	21 %
Property	6 %	34,801	(42)	5 %
Administration		17,103	(21)	
Rent	15 %	198,270	(242)	19 %
Finance costs		7,972	(10)	
Total Fixed costs		632,101	(771)	
Profit/ (loss)	15 %	34,660	(42)	3 %

Notes: Output includes Basic Payment, Contracting and grazing rent.

Rent figure has nominal £198 /Ha (£80/Ac) included for Hundred Estate land

Assuming Normalised year, i.e. no valuation changes, tillage changes or profits on Asset sales included

Next meetings

7 February 2017, 9:30am, Snells Hall

Joel Williams. Soil - the biology, physics and chemistry

14 November 2017, 9:30am, Snells Hall

Post-harvest analysis. What worked, what didn't?

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, please contact:

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