

Bath Monitor Farm

Meeting 6: Fixed cost analysis

19 January 2016

The Joliffe Arms, Kilmersdon, Bath

Rob Addicott (Monitor Farmer) &

Sebastian Graf-Baker (Andersons)

For more information, visit cereals.ahdb.org.uk/bath



Rob Addicott

Meeting summary

- Cultivation and trash incorporation are key for slug control
- Keep cropping (and farming) simple (and cheaper) in time of over production and poorer prices
- Boundaries to be pushed growing 2016 Volume winter barley crop – nitrogen, P, K and trace elements
- Fixed costs. Identify normalised profit levels and profit requirements of business.
- Identify Gross Margin performance to cover dedicated arable fixed costs
- Ascertain if poorer performing areas that do not cover fixed costs can be improved
- 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.
- Beware the illusion of additional area always achieving economies of scale.

Farm Report

Autumn cultivation trials

Four combinations tried establishing wheat after rape:

1. Horsch disc cultivation, circa 5" deep into stubble, followed by Pronto disc drill. Crop has established satisfactorily
2. Very shallow Lemken Terradisc followed by direct drill. Not rolled due to rain. Required much slug pelleting and still only 1 out of 12 acres remains.
3. Claydon Rake. Would not travel through trash, even after topper, even though quite dry. Abandoned. Comment was made rape stalks should be left long and allowed to become brittle for this to work well. Shallow cultivated and Horsch drilled. Bad damage despite slug pelleting
4. Rob's traditional programme. Twice with Terradisc, first time deeper and chit allowed. Planted with Horsch. Only one slug pellet application required and field looks the best of all.

Conclusion for Rob's farm was that cultivation to incorporate material and damage slug activity was key. Consolidation after helps.

- Spring cropping. Decision to be made about extra spring cropping required, as other growers in the group face. Possibility of Warburtons spring wheat contract. Rob will probably keep it simple and grow more barley, mostly likely Propino, though Irina was also suggested as alternative
- Clearfield Rape. Rob has experienced one field where the charlock control has not been so good. It was identified that this was not due to dose rate as overlaps showed no difference. The very mild growing season and relentless growth of large charlock possibly the main reason.
- Marketing. For the 2015 harvest, yield has been the 'get out of jail card'. 70% of the wheat has been sold, all bar 11t rape and most of the barley, the latter at £104.50.

2016 YEN Crop entry

A debate was held which was the crop on the farm most likely to fulfil its potential. The choice:

1. Second wheat, Revelation after rape
2. Skyfall after linseed on heavier ground (though field recognised as a poorer performing one)
3. Volume winter barley after wheat.

It was agreed to take the winter barley forward. Normally Rob would apply 160kg N. It was agreed this would be pushed to 200kg on the best potential area of the field with the first dose early with Sulphur. Tissue samples need to be carried out and likely that manganese would be required. In addition to tissue samples, plant and head counts should also be carried out to review the N levels. Despite the field having P & K indices of 4, Rob will input a yield expectation of 15t/ha to the Courtyard model and apply P & K as recommended.

Sebastian Graf-Baker – Fixed cost analysis

Based on the business' actual accounts, Sebastian had prepared a budget P & L Account (including non-farming income and BPS) for a normalised year, assessing it against the family's requirement for profit to cover drawings, and tax. This revealed a deficit. This position was 'sense checked' against the last four years and while current normalised profitability looked low in comparison, it was felt it was right for now and the foreseeable future. Hence there is a real deficit to be addressed.

Sebastian tackled this by reviewing the overheads – which are clearly applicable to the farming side of the business, which apply to the office rentals, and those for which it is not clear. It was calculated that for the farm combinable area, the fixed costs were approximately £550/ha.

The group then reviewed yield maps for fields of representative different crops in the rotation. Taking expected average field yield, and expected sale prices, the groups then uses some software to identify which areas of the fields for each crop were generating a yield sufficient to produce a Gross Margin to cover the fixed cost requirements.

In each crop the following proportion of the field assessed was NOT producing sufficient yield to carry the fixed costs

- Winter wheat 37%
- Winter barley 46%
- OSR 23%
- Spring beans 50%

Follow up actions required are:

1. Review if this analysis is representative of every year?
2. Examine whether lower yielding areas can ever be improved or whether inherent poor areas – drainage, organic matter levels, agronomy, vermin control etc
3. Take out the lowest yielding areas (and utilise EFAs) BUT need to also take out fixed costs OR
4. Transfer fixed costs to areas that will produce yield and margin to cover – maybe off farm – perhaps joint venture or contract farmed area.

It is a personal and business decision as to whether to continue in the present scenario, and wait for better prices, and/or keep the over capacity of machinery (and dedicated fixed costs) to give capacity for future expansion when the opportunity arises.

Sebastian warned over the illusion that extra area provides economies of scale. It was his experience that extra area often incurs extra cost on land that won't perform.

CropBench+ benchmarking

Those who have entered data into Cropbench+ met on 5 February to review each other's costs, discussing production and marketing strategies, and sharing best practice. No one was perfect at every aspect so there was something for each person to take away from the meeting.

While the Group feedback has passed, it is still possible for individuals to enter their own data for analysis into Cropbench+. For further details contact:

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Next meetings

- Friday 4 March 2016 – Grain storage
- Thursday 7 April 2016 – Tackling the Yield Plateau

Meeting times and locations will vary so please ensure you have registered your contact details to receive notification of details throughout the year

To attend the meetings, please email Philip.dolbear@ahdb.org.uk or call 07964 255614