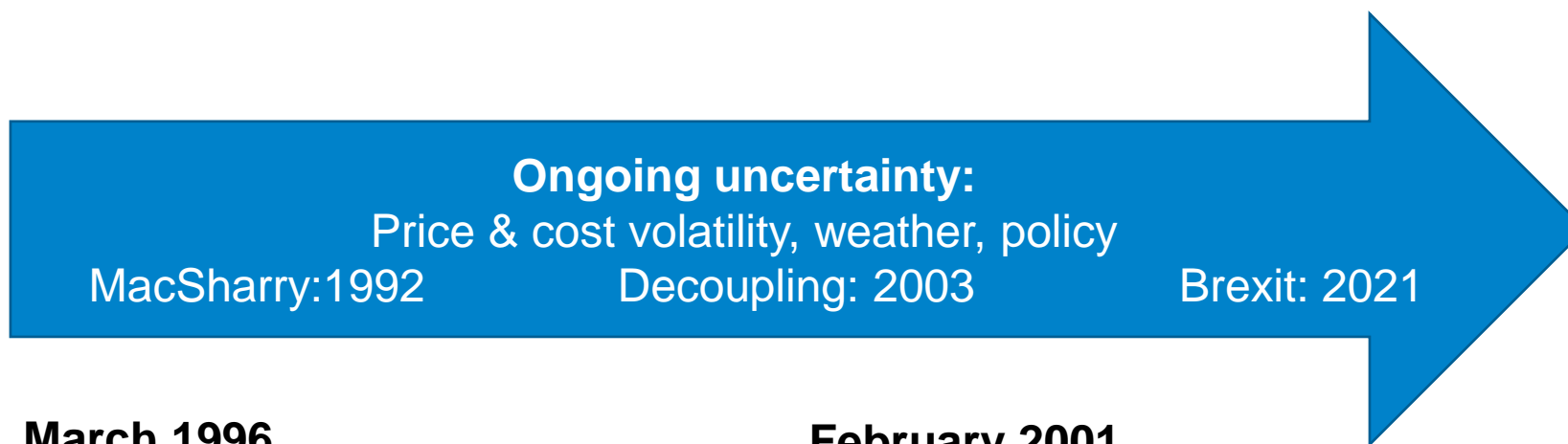


Dartmoor November 9th 2022

Knowing your costs.

David Pett : AHDB Knowledge Exchange Manager - Farm Economics

Uncertainty in agricultural business is nothing new....



March 1996

On 20 March the then Conservative government announces that a probable link between BSE and vCJD has been established.

September 2000

UK fuel shortages worsen

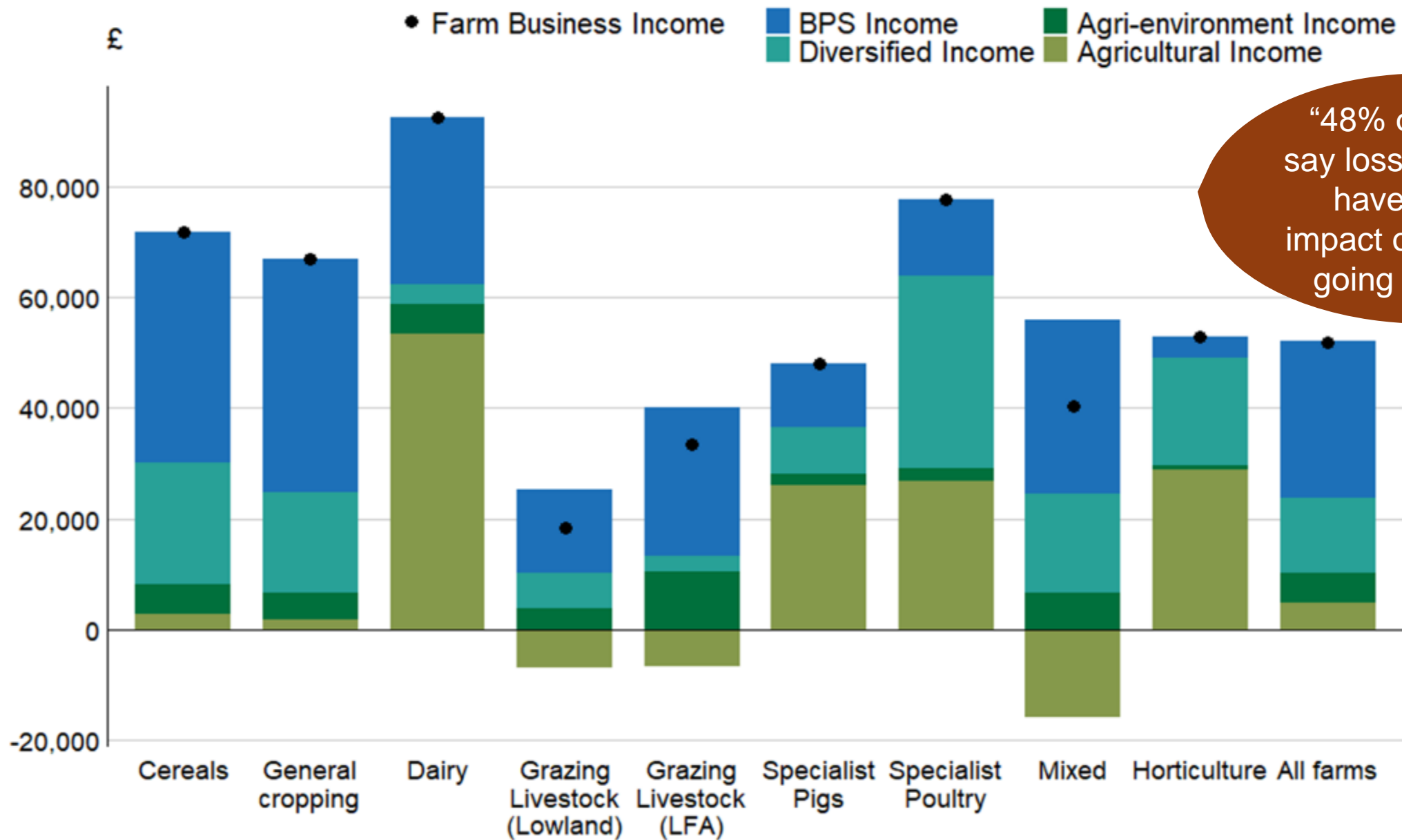


February 2001



2007/08



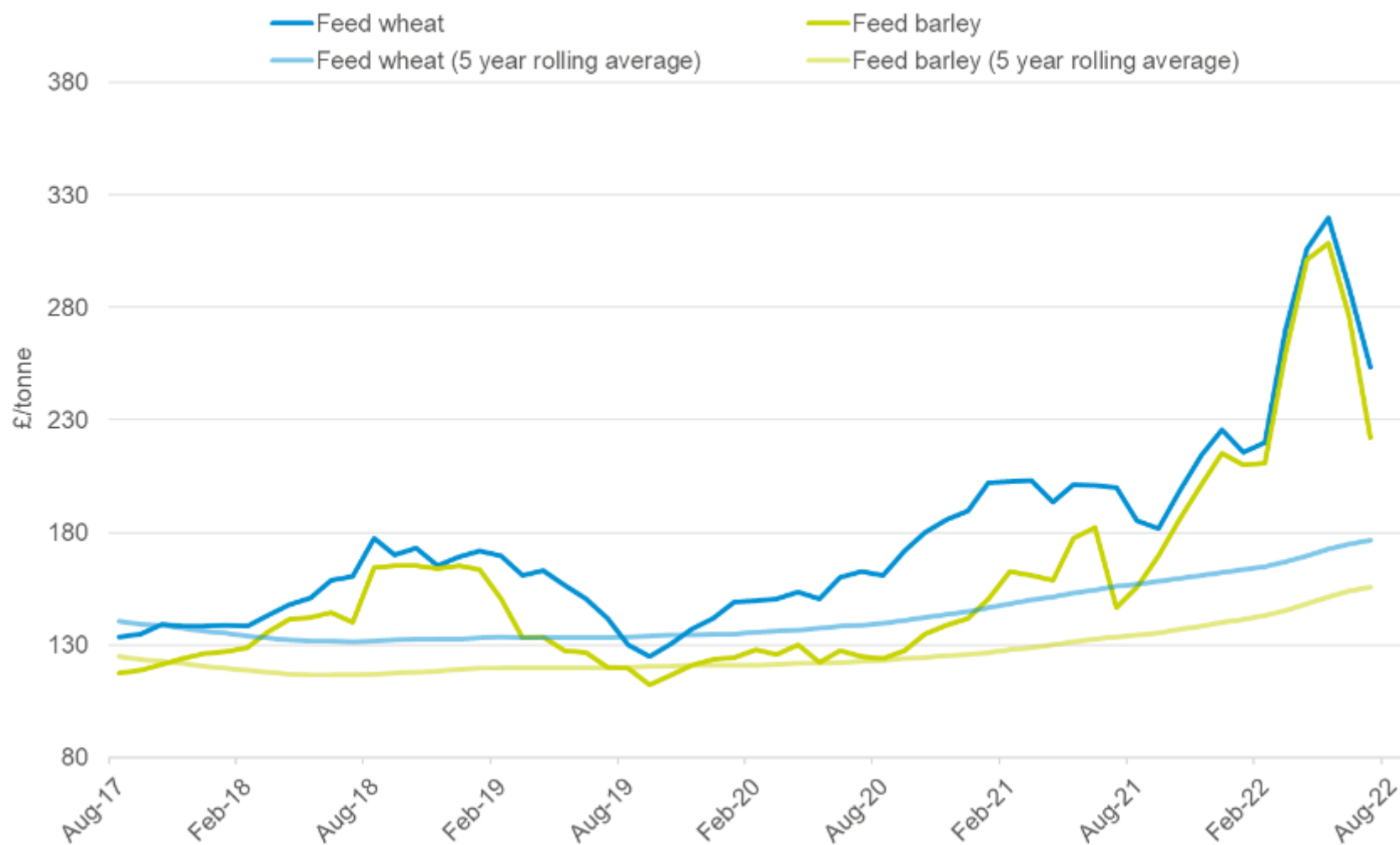


“48% of farmers say loss of BPS will have biggest impact on business going forwards”



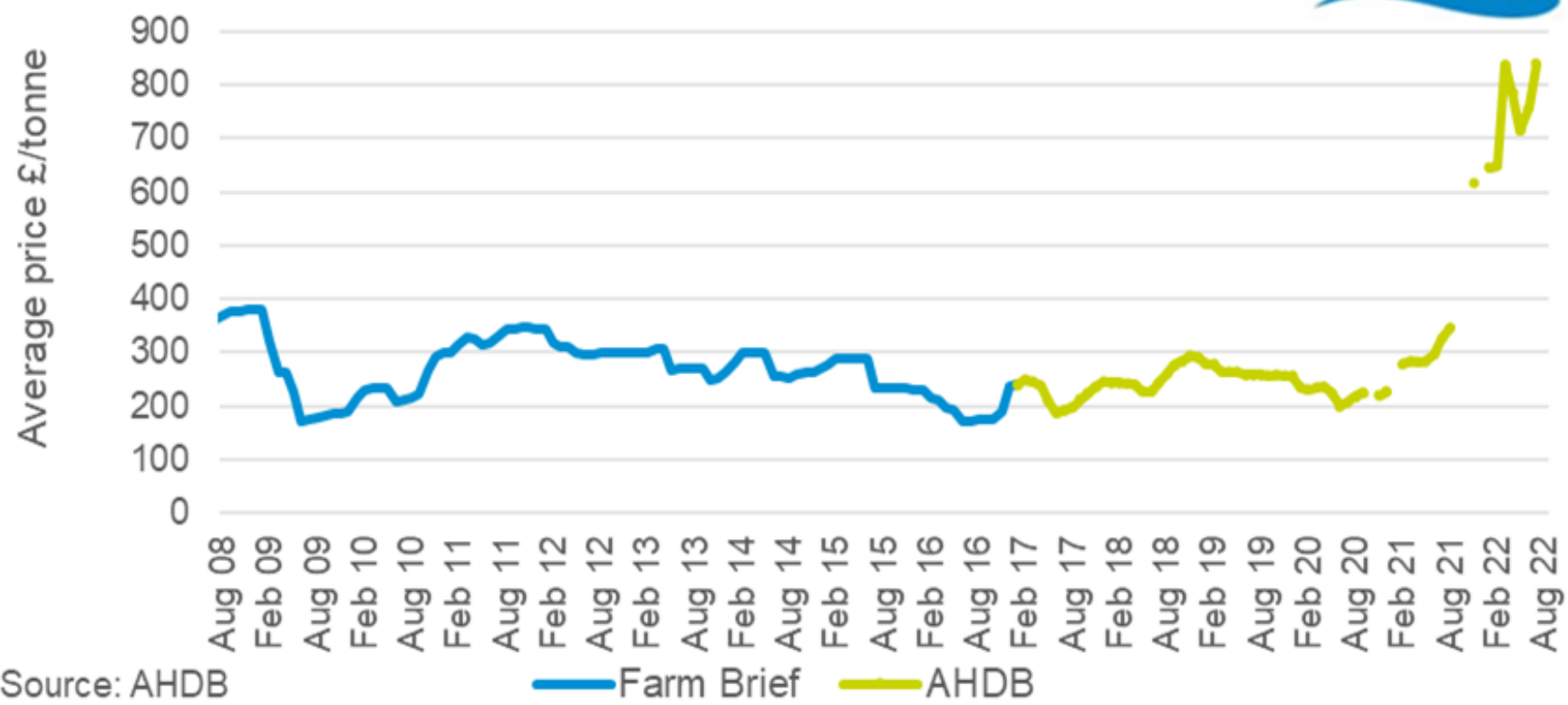
What is it costing
you Mr Farmer
?

UK feed grain prices (Ex-farm, spot)

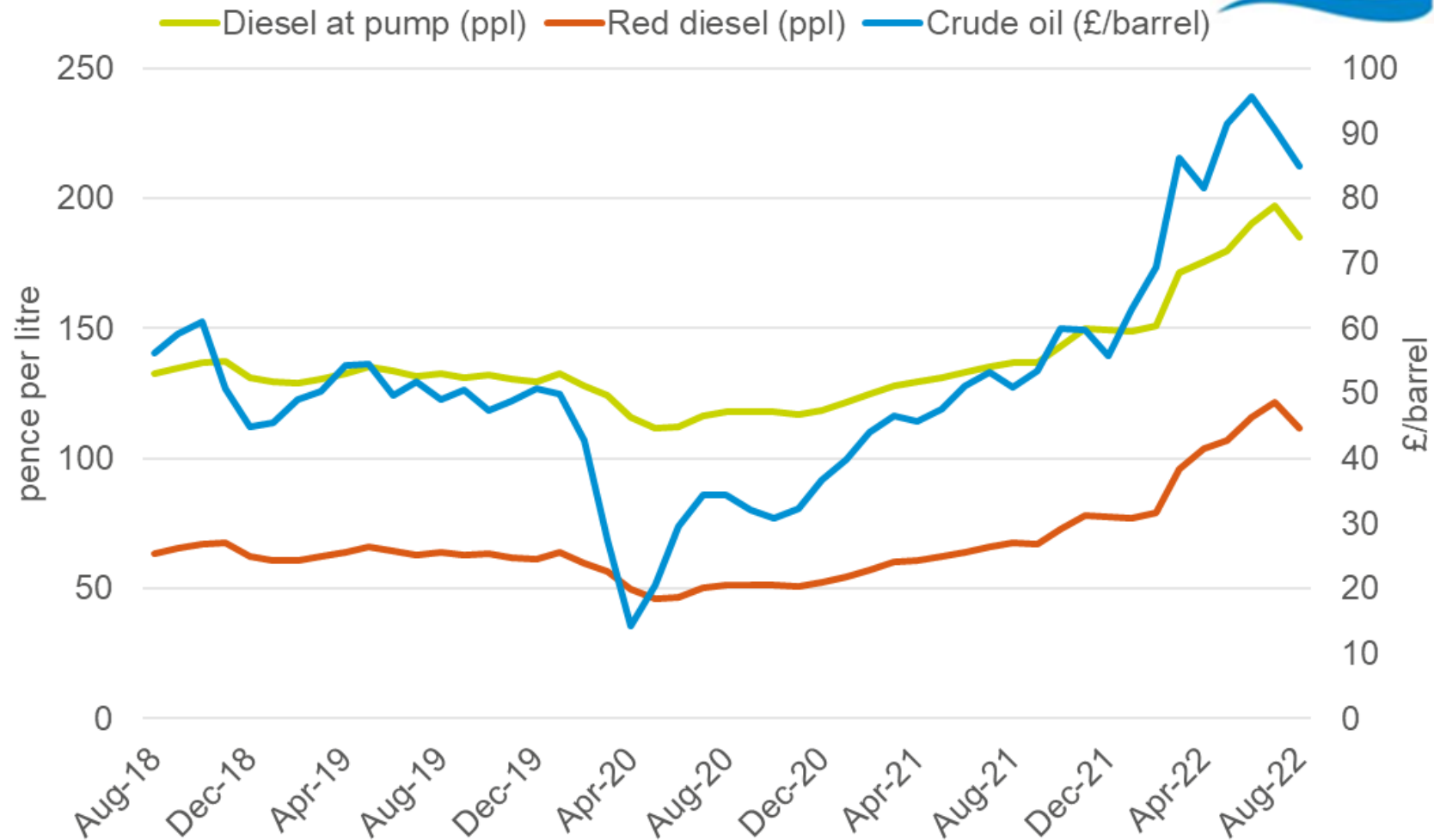


Source: AHDB

Ammonium Nitrate – UK produced (34.5% N)



Monthly fuel price tracker



Source: HMRC, Defra, DECC, OPEC

Source: EU Commission and HMRC

Lets look at some figures

Sheep flock

Who has the best physical performance ?

Who has the best financial performance?

Range of UK Performance SDA Flocks

£ per ewe put to ram	Bottom third	Top third
Gross output (less replacement costs)	75.34	88.16
Variable costs	38.72	27.82
Gross Margin	36.53	60.34
Fixed Costs (Cash only)	32.59	21.23
Net Margin (Cash only)	4.04	39.11

Range of UK Performance SDA Flocks

£ per ewe put to ram	Bottom third	Top third	difference
Gross output (less replacement costs)	75.34	88.16	=12.86
Variable costs	38.72	27.82	=10.90
Gross Margin	36.53	60.34	=23.81
Fixed Costs (Cash only)	32.59	21.23	=11.39
Net Margin (Cash only)	4.04	39.11	=35.07

Range of UK Performance NON SDA Feb-Mar lambing Flocks



£ per Ewe put to the Ram	Bottom third	Top third	Difference
Gross output (less replacement costs)	75.34	88.16	=12.86
Variable costs	38.72	27.82	=10.90
Gross Margin	36.53	60.34	=23.81
Fixed Costs (Cash only)	32.59	21.23	=11.39
Net Margin (Cash only)	4.04	39.11	=35.07
Non Cash Fixed Costs	43.77	21.50	=22.27
Full Economic Net Margin	-39.73	17.61	= 57.34

Hill Farming in England 2020/21

Table 41 Hill SDA flocks

2020 lamb crop

	No farms in sample	Sample	Premium
	No farms	69	26
		2252	771
Enterprise Output		per ewe	per ewe
		(£)	(£)
Lambs †		103	137
Wool		0	1
Less Flock Depreciation		16	11
Total Output (A)		87	127
Variable Costs			
Concentrates		17	18
Coarse fodder		5	3
Vet and Medicines		8	8
Other livestock costs		10	11
Total Variable Costs (B)		40	40
Gross Margin before forage (A-B) = (C)		47	87
Forage Variable Costs (D)		2	4
Gross Margin after forage (C-D) = (E)		45	83

RBR



Rural Business Research

Farm Business Survey

2020/2021

Hill Farming in England

Appendix 7. Enterprise gross margins and efficiency factors – sample and premium

Table 37 LFA Sucklers

	No farms in sample	Sample 141 per cow (£)	Premium 52 1255 per cow (£)
Enterprise Output	No farms	3718	
Suckler calves †		560	659
Less Herd Depreciation		97	66
Total Output (A)		463	593
Variable Costs			
Concentrates		61	44
Coarse fodder		16	12
Vet and Medicines		30	30
Other livestock costs		66	57
Total Variable Costs (B)		173	143
Gross Margin before forage (A-B) = (C)		290	450
Forage Variable Costs		15	14
Gross Margin after forage (A-B) = (C)		275	436



Farm Business Survey 2020/2021 Hill Farming in England

Top 25 %

Last to lose money
First to make money

The Best British farmers

**What makes them better than the
rest?**

The top performers are often
marginally better at
everything rather than
being significantly better at
anything

What is Farmbench?

- Used by farmers and advisers
- Farmers control who gets access
- Benchmark against validated (checked) datasets
- Cost of Production reports for each enterprise v benchmarks
- Helpdesk
- KEM Benchmarking team assistance.



Enterprises available :

Livestock:

Breeding Sheep

Lamb – breeding ewe replacements / finished / store

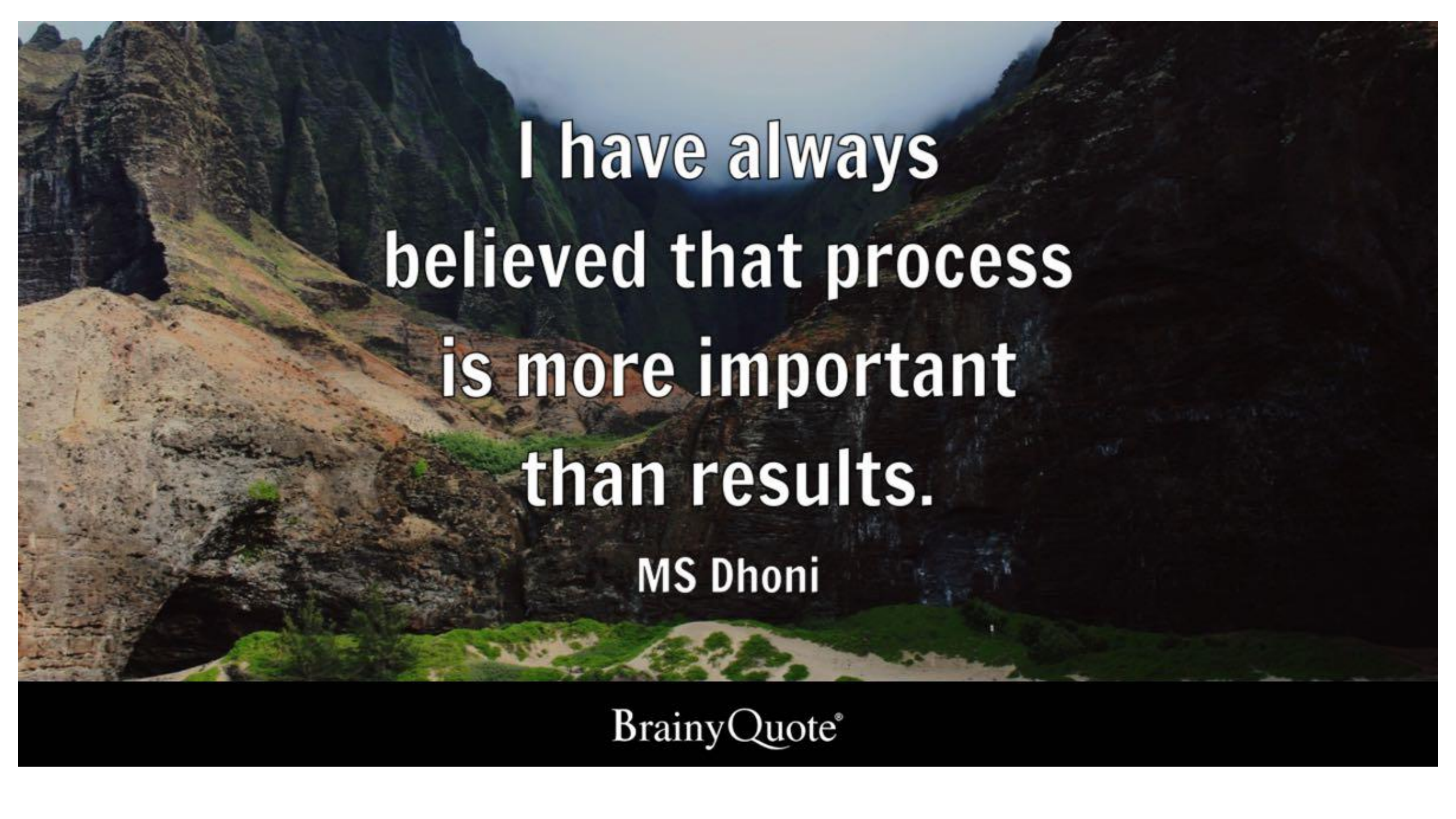
Suckler herd

Beef Stores / Finishers / Heifer replacements

Dairy



- Free to levy payers
- Fully Validated
- Supported
- Intuitive
- Independent
- Confidential

The background of the image is a high-contrast photograph of a rugged mountain range. On the left, a steep, light-colored rock face is visible, with some sparse green vegetation. The right side of the image is dominated by dark, shadowed mountain slopes. In the center, a deep valley opens up, showing a mix of rocky terrain and patches of green grass. The sky is a pale, hazy blue. The overall mood is one of grandeur and challenge.

**I have always
believed that process
is more important
than results.**

MS Dhoni

BrainyQuote®

Benchmark what?

What is most important?

- Technical performance
- Financial performance

Rearing percentage
50%
65%
85%
100%

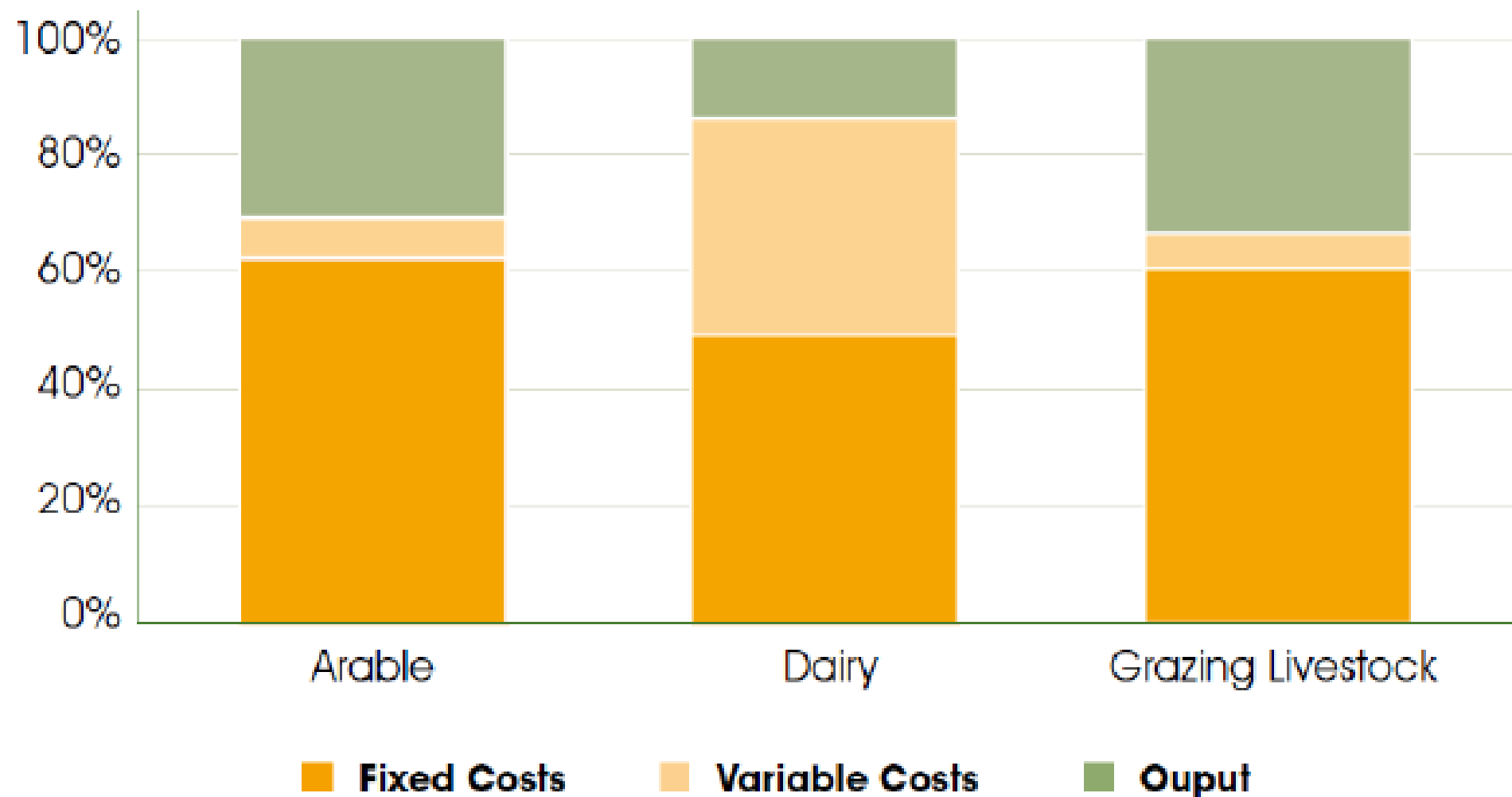
Price (£/kg LW) needed to cover costs
at different output levels

Rearing percentage	Price to break-even
50%	£5.00
65%	£3.85
85%	£2.94
100%	£2.50

Assuming 280 kg weaning weight (adjusted 200 days) and £700 total costs
£2.50 price achieved by top 25%
280 kg at 200 days achieved by top 25%

Range in Performance

CHART HIGHLIGHTING WHERE THE VARIATION IN PROFIT OCCURS BETWEEN TOP AND BOTTOM QUARTILE FARMS



Sign In

Register



BPS IMPACT CALCULATOR

How will Basic Payment Scheme reductions impact your business?

 [Learn more](#)



BUSINESS RESILIENCE ASSESSMENT


Is your business fit and ready for the future?

 [Learn more](#)




KPI EXPRESS CALCULATOR

How well is your farm performing?

 [Learn more](#)

Help Information

Help buttons are available throughout this tool indicated by this icon  Hover your mouse over the help icons throughout this tool for hints and tips.

If you get stuck using this tool please give the AHDB helpline a call on **02475 189300** or email farmbusinessreview@ahdb.org.uk and the team will be able to guide you through.

Farm Business Review Tool. Step 1.

- **BPS Impact Calculator:** How will BPS reductions impact your business?

The BPS calc, allows this to be visualised – by inserting 2020 figure to see and discuss impact on profit,



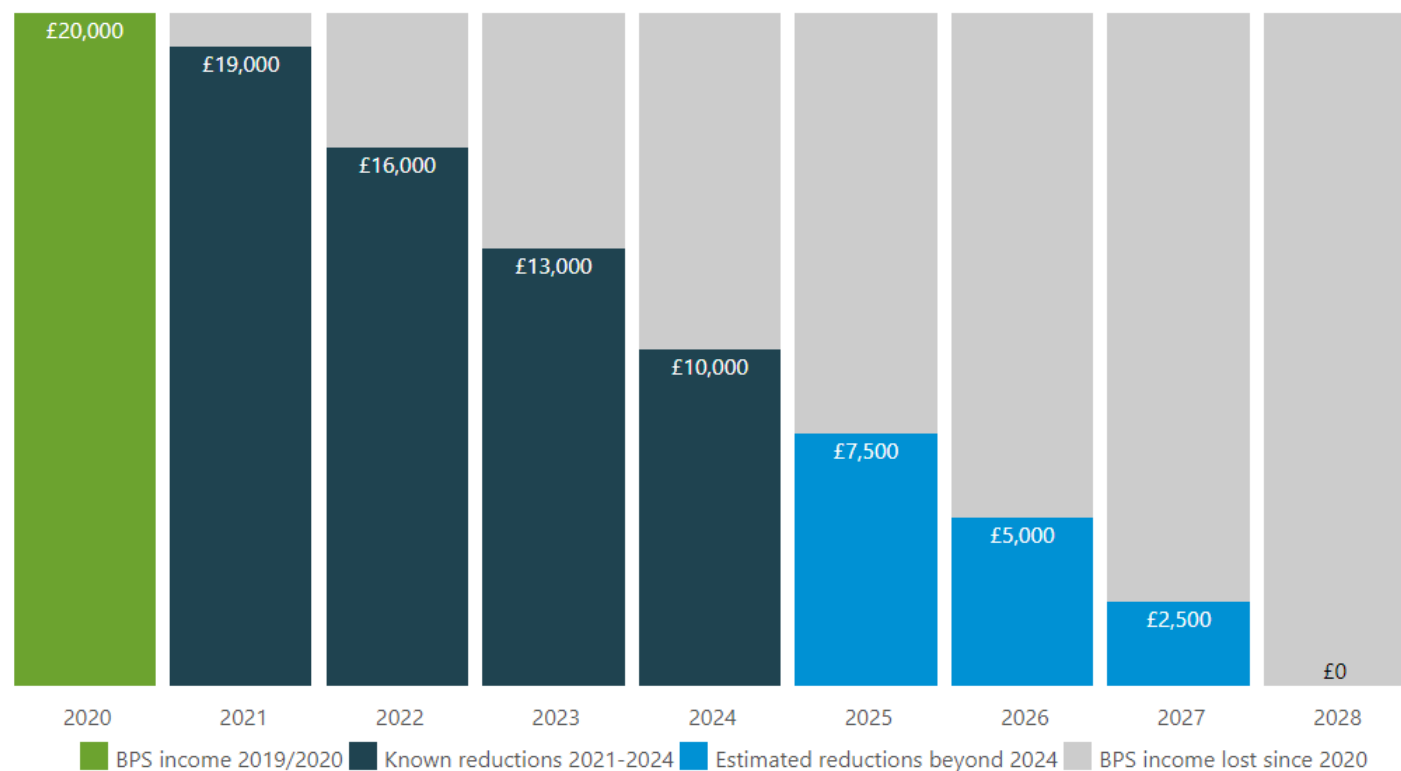
BPS Impact Calculator

The basic tool can be used to simply calculate how BPS payment reductions in England, that are due to start in 2021, will impact your farm business. Simply enter your 2020 payment (2019 if not received 2020 payment) amount and the calculator will display how reductions are likely to look compared to the relative total amount of BPS your business received in 2020.

Enter your 2020 BPS payment

20,000

Calculate payments



Farm Business Review Tool. Step 2

- **BPS Impact Calculator:** How will BPS reductions impact your business?

Farmers will be talked through the wider Ag policy background and the reduction in their BPS

The BPS calc, allows this to be visualised – by inserting 2020 figure to see and discuss impact on profit,

- **Business Resilience Assessment:** Is your business fit and ready for the future?

Resilience assessment allows you to take a step back and assess the strengths and weakness within the business. The lowest scoring 3 areas should be discussed and possible solutions



Business Resilience Checklist

Understanding your strengths and areas for development will help you prepare for the changes in domestic agriculture policy, and improve your business resilience.

For each question score yourself between 1 (I am not implementing this at all) and 5 (I am fully implementing this)

Minimise overhead costs

Do you consider and identify ways to maintain machinery better and cheaper?



Do you regularly review your overhead costs i.e. can you identify how much they cost you on a monthly, 6 monthly, annual basis?



Set goals and budgets

Do you have a clearly set out vision and objectives for the business?



Do you routinely (every 3-6 months), with your partner/s or your team, take a hands off view of the business and discuss objectives, performance etc?



Do you know what the impact to your business would be if Direct Payments are reduced/removed? Do you have a plan if this happens?



Farm Business Review Tool. Step 3.

- **BPS Impact Calculator:** How will BPS reductions impact your business?

Farmers will be talked through the wider Ag policy background and the reduction in their BPS

The BPS calc, allows this to be visualised – by inserting 2020 figure to see and discuss impact on profit,

- **Business Resilience Assessment:** Is your business fit and ready for the future?

Resilience assessment allows you to take a step back and assess the strengths and weakness within the business.

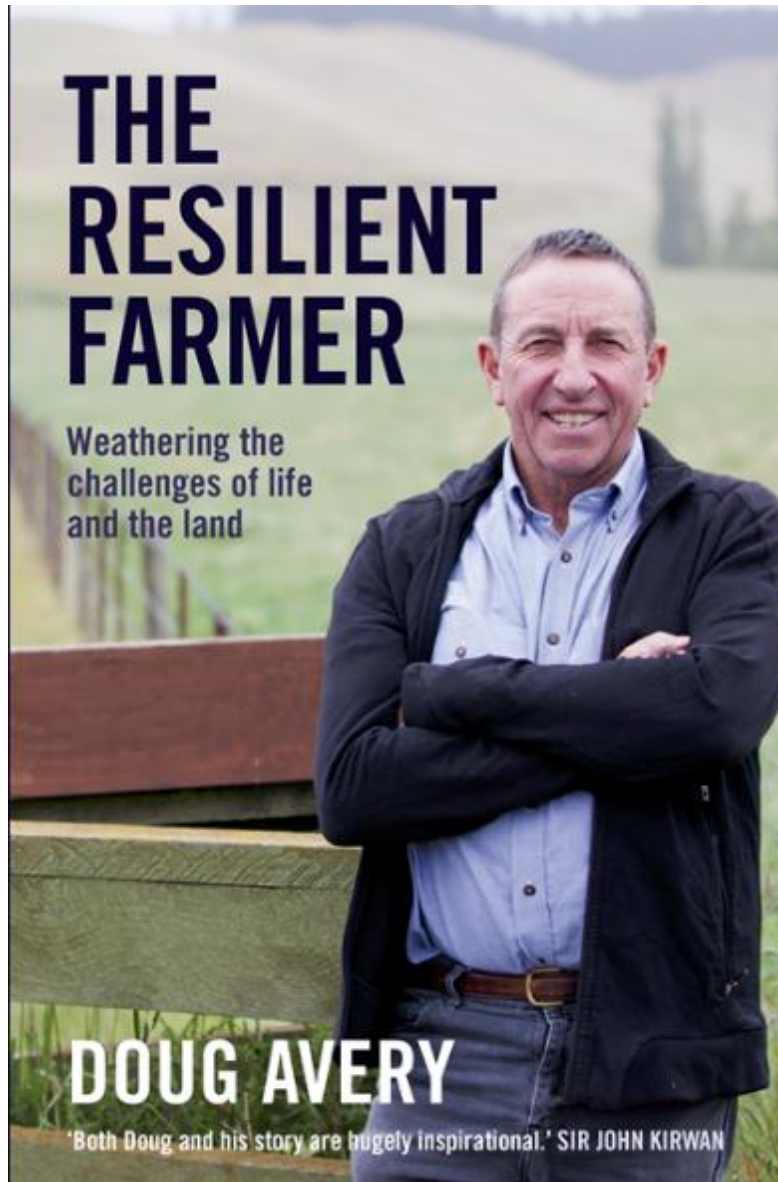
The lowest scoring 3 areas should be discussed and possible solutions

- **KPI Express Calculator:** How well is your farm performing?

The KPI calculator allows farmers to insert their production or business data and calculate an 'industry' developed KPI

- ✓ Production performance
- ✓ Business performance





There's as much opportunity out there as there has ever been- it's just, have we got eyes to see it?

Doug Avery

A vibrant landscape of a green field at sunset. A path leads from the foreground towards the horizon where the sun is setting, casting a warm glow. The sky is filled with colorful clouds. In the foreground, there are decorative white wavy lines.

**‘Inspiring our farmers, growers
and industry to succeed in a
rapidly changing world’**