

promar matters

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WELCOME:

Welcome to this edition of Promar Matters, our monthly publication for customers and industry influencers. Our aim is to deliver innovative and effective solutions to clients, working with them to develop more robust businesses and better placed to be efficient in challenging market conditions. In this issue we outline how Leading in Dairy focuses on detailed planning and thorough monitoring which is helping businesses plot a route forward.



James Dunn
Promar Managing Director

THE SEVEN MOST DANGEROUS WORDS IN FARMING

At the recent Semex conference the audience was reminded the seven most dangerous words for any business are 'We have always done it this way!' And this has never been truer for dairy farming.

It is over 18 months since the global decline in milk prices began to bite in the UK and there is little sign of any form of a recovery. Most farmers have managed to weather the storm so far and a significant proportion of the industry are determined to continue milk production. There is no doubt that businesses will have to be prepared to change.

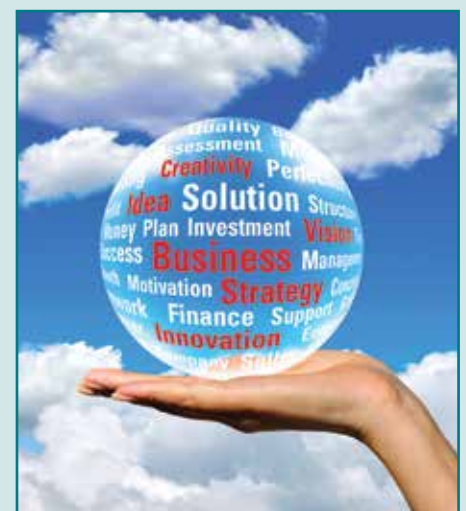
The question is how will they do it in the most effective way? The answer for every farm will be different, but for successful farms there will be one common under-lying principle – they won't be doing things in the future the way they always have done in the past.

Two things will be essential requirements of successful businesses going forward. The first is a willingness to plan the business direction extremely carefully, to determine what the business has to deliver and the best way in which this can be achieved.

The second is an acceptance that change will be essential with every aspect of how the business operates being challenged, identifying the things you have to do and the most efficient way to do them. Assume everything can be improved.

The skill will be deciding the most robust direction, whether it is to expand, to improve technical performance, to add value, to diversify or, in some cases, to stage a managed exit from the industry. We have considerable experience of working with businesses of all sizes to implement a wide range of business development strategies.

The Promar Leading in Dairy scheme is a new approach designed to help dairy farmers plot the most suitable route forward based on a detailed assessment of the business and its objectives. We would welcome the opportunity to help you formulate the way forward for your business so please contact us to find exactly how we can help and to discuss a free initial visit.



DETAILED PLANNING DELIVERS SUCCESSFUL SYSTEM

A thorough review of all operations at the 450 acre Roundwood Farm near Marlow has helped the Lacey family develop a diversified business focussed on the end market and meeting the requirements of the business.

Daniel and Gideon Lacey had been struggling to generate the turnover and profit required to fund loan repayments from the existing dairy and arable farming system and retail round. In addition, with Daniel's twin sons Ed and Will coming back into the business, the demands were increasing.

Working with Promar consultants Tim Archer and James Berry, and more recently with Promar Divisional Director John Giles they have reshaped the business.



Stage 1

Business assessment and Strategic review

The family were committed to staying in milk production so a range of strategic options were explored that would allow them to meet their objectives while remaining a dairy farm.

Using data produced by Promar Farm Business Accounts (FBA), a full analysis of performance and costs was carried out as the basis for future planning. Options developed examined combinations of increasing gross margin from the Guernsey herd, increasing the size of the retail round business and enlarging the farm shop to increase profitability.

Stage 2

Setting strategic objectives

The family agreed several objectives

- Increase cow numbers
- Increase yield per cow
- Reduce concentrate use through better feed facilities and forage quality
- Sell 50% of expanded milk output through retail round
- Expand the farm shop through an increased product offering
- Build a quality brand to support both retail and farm shop activities
- Improve profitability and reduce the loan repayment burden
- Tighter financial planning and control of all costs with regular monitoring using FBA

Stage 3

Actions to deliver strategy

- Investment in dairy infrastructure
- Focus on improving forage quality
- Continued marketing to build the retail round to ensure 50% of increased output sold through the higher value channel
- Maintain productivity of layer unit
- Increase engagement with community to build profile of farm shop and retail operations
- Increase range of products sold through 'honesty box' farm shop
- Detailed market research devised by Promar before developing a more formal farm shop
- Detailed monitoring of costs and enterprise performance

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Results

Technical

- Herd size increased
- Yield per cow increased by 5%
- Reduced feed rate
- Increased volume of milk sold through retail round

Financial

- Dairy gross margin increased
- Sales through retail business increased. Investment in processing arranged at affordable level
- Significantly increased turnover from honesty box. Investment in permanent farm shop with added butchery business based on market research



The future

- Continue to develop the farm shop
- Maintain scale and product range of retail business
- Continue to reduce level of debt and manage all costs closely
- Maintain the balance between farm and ex-farm activities as each depends on the other
- Work with consultant to regularly review progress and update plan