Fresh Produce Journal
December 2017
John Giles

STRATEGIES FOR BREXIT

With Brexit imminent, more pressure will be on UK fruit and vegetable growers to drive efficiencies. Promar's John Giles explains why understanding how to be prepared will be key to future success

The general industry wisdom is that post-Brexit, farmers around the UK will need to up their game, almost regardless of what sort of deal we get with the rest of Europe.

There is the strong likelihood of reduced Pillar I production support payments, but increased Pillar II-type environmental support payments. This was always going to be the case post the next round of EU Common Agricultural Policy (CAP) discussions, regardless of the decision to Brexit.

The UK fruit and vegetable sector has historically been subject to a relatively 'light touch regime' in terms of industry support, and the relative lack of support for the UK horticultural sector has produced a situation where the industry has already gone through a substantial period of change in the last 10 to 20 years.

Under some possible Brexit scenarios, domestic prices may rise, and UK producers should take the opportunity to increase production – but in order to do so in the post-Brexit world, there are some considerations.

ABOVE—British growers face a strategic challenge post-Brexit
OPPOSITE—Producers are concerned about attracting sufficient labour

RETAILER RELATIONS

The UK market is dominated by sales to the leading supermarkets and it'll be growers who are in groups and organisations that are closely linked to these supply chains that'll be in the best position to prosper. Being a low performer will inevitably be a difficult position to be in for the mid to long term.

Part-time and smaller farms will have the best possible chance of survival by earning a living from supplying niche markets, such as box schemes, farmers markets or farm-

> For those that have developed joint ventures, or their own growing operations outside of the UK, the solution would be to increase production there

gate sales. This is due to further polarisation of the producer base between these smaller farms and the larger, more commercially-driven units, who are focused on supplying a relatively small number of key supermarket customers.

UK supermarkets are keen to promote the British origin of the produce they sell and will continue to provide this support to UK growers. It will be vital that growers continue to adhere to well-established production and accreditation standards.

Supermarkets in the UK are unlikely to lower technical and commercial demands made on growers in areas such as traceability and sustainability and will expect consistent supply at competitive prices. In effect, the big will probably have to get bigger, in order to make the future investments required.

DOMESTIC PRICES

If domestic prices rise, growers should still look to control costs, engage in benchmarking schemes and maintain investment in new varieties, some of which might be grown only for specific customers. Investment in logistics, cool stores and packing facilities will also be an ongoing requirement.

LABOUR

Promar's insight into the sector suggests that horticultural production will further concentrate in the existing strongholds of Kent, Lincolnshire and Worcestershire. However, labour will continue to be a key nationwide issue for the sector. Post-Brexit, there are likely to be more controls on the movement of labour. This could be to the detriment of the horticultural sector and it's likely that the larger the unit, the more acute the issue will become.

Growers will have to do one of two things – attract more indigenous labour to the farm, but on past evidence this looks extremely unlikely to happen. Or, alternatively, investigate how picking and packing functions might be more automated, to reduce the dependence on manual labour. For organisations that have developed joint ventures, or their own growing operations outside of the UK, the solution would be to increase production in these areas, especially for commodity varieties. They can then concentrate on UK-based production of more niche and higher-value varieties on scaled-back growing operations.

SUPPLY CHAIN EFFICIENCIES

Going forward, growers and the supply chains they operate within will need to consider new ways of increasing efficiencies and reducing costs as much as possible. Besides looking at labour-related issues, lowering produce wastage at all stages of the supply chain, paired with improved crop production planning, and more efficient use of inputs and data, will all help to create a more streamlined supply chain. If the UK is subjected to more import competition, this will only intensify the overall market environment. Therefore, the supply chain needs to prepare for this increased competition from international growers and exporters, pending a greater understanding of the new trade agreements with the US and other countries of supply.

Whether the UK is heading for a hard or soft Brexit is still yet to be known, but regardless of this, the UK horticultural sector will need to up its game.

The real outcome of Brexit may be to see an acceleration of the trends we have seen over the last ten years or so. One thing's for certain, it promises to be a period of further change for the UK horticultural sector, but for the forward looking and well prepared, it will also be a time of opportunity.

Dairy Industries International
December 2017
John Giles

Dairy price index reaches high

According to agricultural consultant Promar International, the UN Dairy Price Index (DPI) is at its highest level since 2014, having increased by a significant 48.2 points in the last 12 months and by 4.5 points during September to reach 224.2 points.

This increase is primarily due to global demand, particularly for butter and cheese, combined with supply constraints in Australia, New Zealand and the EU, said John Giles, divisional director at Promar.

Giles advised that Promar's insight and data shows that even with declines in milk powder prices, as a result of high intervention stocks in the EU and limited buying interest, the demand for butter and cheese remained high in key consumer markets.

He added that global food demand is still increasing rapidly in key markets such as Asia, and this is mirrored in the international dairy market. However, production in some key sectors, such as dairy and arable has been less buoyant, resulting in increased prices. "This is demonstrated in the overall UN FAO Food Price Index (FPI) figure, which has recorded a 10.6 point, year-on-year increase. This could have a significant impact on UK food prices, particularly when combined with a weak exchange rate and other inflationary pressures at work in the economy.

"The UN FAO FPI was at 178.4 points during September, an increase of 1.8 points from August, and UK food inflation has already reached 3% and may carry on climbing before the end of the year.

This is something the UK consumer is not really used to, after nearly 15 years of price deflation."

The Grocer
December 2017
Promar

prices digest

Milk: This year's upturn in farmgate milk prices came too late in the year to hugely impact the bottom line of UK dairy farmers, according to consultancy Promar. Average profit after depreciation for the year to 31 March fell by 20% to £43,404, compared with the year to 31 March 2016.

Farmers Guardian
December 2017
Nigel Davies

Dairy profits recover but producers warned of price volatility on horizon

Dairy farm profitability is set to recover this financial year but producers have been warned to buckle up for further tough times as price volatility continued.

According to the latest Promar Farm Business Accounts, farm profit slumped by half in the fiscal period to April this year following the earlier collapse in milk prices.

National consultancy manager Nigel Davies said: "The profitability net of grants and subsidies was down to £13,000 compared with £26,000 in the year before."

But he expected projected net profits this year to far exceed those of recent years, bolstered by the much improved margins stemming from the higher milk prices last autumn and continued into this financial year.

Speaking at a London press briefing, he said: "I think this year will show a marked change and I am pleased to say for the better. I would expect this to be in excess of £40,000 higher than the comparable figure for the average last year."

He said while the better milk price was the overriding influence, this will be helped this year by stable feed prices, better support payments owing to the exchange rate last September, and a slight increase in the volume of milk produced.

But he warned producers not to expect the milk price to continue at this level beyond next spring.

"We are on the cusp of a change in the milk price and we expect this change to kick in at farm level sometime before the end of the financial year in 2018, although to what extent remains to be seen," Mr Davies added.

"It will undoubtedly be a more challenging landscape and, in the year to March 2019, I would not expect people to be achieving anywhere near what they should be achieving in the year to March 2018."

He said the key thing was for producers to prepare themselves for the competitive future by using the current improved income wisely, either to reduce debt levels or to invest to improve efficiency.

Farm debt increases

Average farm debt for the 200 costed GB dairy farms to March 2017 stood at £570,000, of which £66,000 was for trade creditors, but this figure had risen from £547,000 at the end of March 2016.

This was equivalent to £2,812 per cow, up from £2,752 per cow.

Mr Davies said there was now a chance to bring the figure down this year with the enhanced income.
Of the £570,000 average debt last year, he said £365,000 was from high street banks.

Some producers may have been granted repayment holidays in the tough times and they would have to be reconciled this year as such postponements caught up with borrowers, and this was yet to come out of this year's projected profit of £50,000.

Newark Advertiser
December 2017
John Giles

Aiming to help farms flourish post-Brexit

THE future success of UK farming could be a choice between innovation and intensification or environmental management and high-nature food production.

That will be one of the key debates at the Nottingham Farming Conference on January 11, which will analyse the impact on agriculture and food production of the UK's decision to leave the European Union.

Despite the uncertainty surrounding Brexit, organisers said the event was designed to be a positive and practical learning experience for delegates.

As well as offering insight into how the future could look outside Europe, the conference aims to highlight new possibilities for farmers and help them secure their long-term success.

Speakers will include the chairman of G's Fresh Ltd, Mr John Shropshire; the divisional director of Promar, Mr John Giles; and Mr Tom Rawson, of Evolution Farming.

Professor of agricultural economics at the University of Nottingham, Mr Paul Wilson, the conference organiser, said: "UK farming and food production faces both challenges and new opportunities, and farm businesses need to put in place strategies and plans to ensure their own long-term success.

"With UK agriculture at a once-in-a-generation cross-road, each business needs to know the right path to take.

"The conference is farmer-facing and practically focused, and will offer much for go-ahead businesses.

"As the premier farming conference in the Midlands, we have attracted some excellent speakers to our conference who run major agri-businesses.

"They will give insight into how they are approaching the future, providing practical take-home messages for all farm businesses."

The conference, organised by the East Midlands Farm Management Association and the national Institute of Agricultural Management, is to be held at the University of Nottingham's Sutton Bonington campus.

Tickets are priced at £45. For a booking form go to www.nottinghamfarmingconference.co.uk or call 0115 951 6075.

The Vegetable Farmer
December 2017
John Giles

BREXIT – CONFIDENCE IS ESSENTIAL

Businesses planning for Brexit need confidence, which only fruitful Brussels negotiations can supply, says ***Professor Geoff Dixon.***

Brexit will bring the biggest changes ever seen in the UK's peacetime mercantile and social structures. During these, maintaining an uninterrupted, safe, food supply is a priority. Currently, home-production provides about 54% of Britain's vegetables worth about £1.3 billion (wholesale/farm gate values).

For the remainder, Britain imports around 3 million tonnes of fruit and vegetables worth approximately £3 billion p/a from the EU (FPC Position Paper, October 2017, courtesy of CEO Nigel Jenney).

Physically, about 600 lorries pass through Dover daily carrying this produce, much of it from Spain and The Netherlands. The eventual outcome of negotiations in Brussels will determine the scale of changes needed, but financing and organising any changes in the balance between home production and imports demands business confidence.

Economy and business

Growers' business confidence generally depends on the state of our wider economy. However, here there are long standing problems of low investment and weak productivity. "Our finance sector is not performing its principal function, that of channelling finance into productive long-term investment," says Alfie Stirling in his report on Financing Investment (Times, 09/10/17 p.40).

There is also a lack of coherent strategies aimed at encouraging small to medium-sized enterprises by providing innovation, investment, skills training and upgrading the infrastructure according to Michael Jacobs of the Institute for Public Policy Research (IPPR).

Modest added funds were announced by Secretary of State, Michael Gove, on 30th October speaking in Belfast, and there are some reasons for economic optimism as Gerard Lyons (Economic Advisor at Parker Fitzgerald) stated in the recent Fruiterers Company Newsletter. But as he said, uncertainties in the Brexit negotiations are reducing business confidence and delaying investments.

Fresh produce industry

In order to trade with confidence and ensure future continuity of supplies and services, requires time for planning strategies. So far, the sole government guarantee is a continuation of the Common Agricultural Policy (CAP) rules and regulations to 2020, but that is a short timeframe for industries which are controlled by biological and seasonal cycles. The requirements of agricultural industries, collectively, are monitored by NFU and AHDB teams. These are headed by Nick von Westenholtz for the NFU and Phil Bicknell for AHDB. Their latest joint report, Horizon Brexit Scenarios of 11th October, quantifies three outcomes for horticulture. The "Evolutionary economy" (soft Brexit) increases Farm Business Income (FBI) by ~40% but in other exit conditions, "Unilateral liberalisation" and "Fortress UK" the FBI declines by 12% and 8%, respectively.

Workforce and regulatory requirements

As Minette Batters Deputy President of the NFU wrote in the Telegraph (22nd July 2017), a flow of fresh, safe and edible produce relies on production based on sound science and needing continuing labour supplies. A stable workforce is essential for harvesting, processing, packing and distribution across the supply chain. Although Michael Gove seems to favour a revised Seasonal Agricultural Workers Scheme (SAWS), as Alison Capper (Chairman NFU Horticulture and Potatoes Board), said in a recent interview, "there has been some progress in understanding the need for seasonal and permanent labour, but so far no mechanisms have been devised". She pointed out that the fresh produce industry competes for labour with Germany and is paying significantly above the minimum wage.

Vegetable growers will be particularly affected by the Regulatory Framework applying after Brexit. Concern is increasing at the slow progress with the Great Repeal Bill which provides the legal framework for businesses post-Brexit. Alison Capper commented that "there is massive scope of large improvements when it comes to framing the UK's own crop protection regulations." She added that UK consumers are served by one of the best and safest "just in time systems in the world" and politicians must understand its requirements for forward planning and financing

Fresh produce Consortium CEO, Nigel Jenney.

over several seasons. "The NFU actively encourages keeping up the pressure on MPs," she said.

Nigel Jenney echoed Alison Capper's views that "the need is for continuous lobbying of MPs ensuring they understand the impact on the community of disruption in the fresh produce chain". Further, he added "the food industry generates more wealth than the car industry," and the UK must remain a "great place to work."

Post-Brexit support

The level of public financial support for agriculture, including fresh produce, is being intensely debated. Horticulture has traditionally traded largely on a free market without subsidies. Only recently has it gained CAP payments under Pillar 2. Some economists such as Dieter Helm identify three options for Britain's future agricultural policy (Oxford Review of Economic Policy, Agriculture after Brexit). These are: carrying over the subsidy regime with an emphasis on food security and self-sufficiency; secondly, maintaining the CAP architecture, but with subsidies removed from payments for land ownership and added funding for environmental schemes; or thirdly, do away with all the subsidies, and instead concentrate any spending on directly purchasing the public goods that public money is paying for. The first two options retain exiting benefits for horticulture. The third option would reduce public expenditure but be attractive for the Treasury.

International views

Since our Referendum, European economists have voiced varying opinions. French economists, G Boulanger and G Philippides calculate that Brexit loses the EU budget euro 18 billion pa. Most of the resultant burden falls on France, Germany and Italy. Sieman van Berkum and colleagues, at Wageningen University, suggest that if Brexit results in free trade agreements or the World Trade Organisation (WTO) rules then UK horticulture would gain benefits.

Siemen Van Berkum.

Alan Matthews, Trinity College Dublin says; "because the UK is a net contributor to the EU budget, a net importer of agri-food products from the EU, and punches above its weight in research terms, its withdrawal would have broadly negative effects for the EU farm and food sector".

Andrew MacMillan (FAO Field Operations) suggests that the UK requires better food management. He estimates that consumers bin £17 billion worth of avoidable food waste each year and the UK is the fattest nation in Europe. He advocates developing coherent food policies. Similar views come from Erik Millstone (Sussex), Tim Lang (London City) and Terry Marsden (Cardiff Universities). Support crops which benefit human health in parallel with benefiting environmental and biodiversity care, they say. That requires a clear "Food Strategy" which Alison Capper says has been sought from government for several years.

Future options

Political intentions that UK should increase food production replacing at least part of our imports from the EU were voiced by Chris Grayling (BBC Andrew Marr Show; 15th October). A prerequisite for that is a well-structured strategy for rural development which assures a stable future for businesses, accompanied by significant investment in research, development and education. Currently, public funding mechanisms and research structures do not attract sufficient creative young scientists who will become mature subject specialists capable of supporting longer-term industrial investment and development.

John Giles, Divisional Director of Promar International.

Most consumers when questioned feel that farming is an important element in the UK economy and Britain should sustain a productive industry. Two-thirds of those canvassed favoured buying British produce; but encouraging increased production means ensuring that growers receive fair and equitable treatment from the supermarkets, something which is not always present. As John Giles of Promar International has stated, there could be opportunities for increased UK production, but it is not conceivable even in the most favourable conditions, that supplies could in the medium-term of 5 to 10 years begin matching current imports.

In summary currently, as Jack Ward of the British Growers Association (BGA) has asserted, Brexit brings uncertainty and volatility, labour problems in terms of seasonal workers, and new regulatory frameworks. Future arrangements must produce fair competition between home-produced and imported produce, effective supply chains, increased consumption and environmentally benign husbandry. He added that these outcomes require maximising innovation and R&D, increased production with lower costs, reduced risks, and industrial collaboration.

Ultimately, UK statutory provisions must fit with EU internal requirements for exports into the Continent. Alignments may not be achieved easily, but the EU has by far the greater interest in maintaining sales into the UK. The fresh produce industry, along with other sectors of British commerce, currently needs positive information regarding the structures under which trading can thrive after 2019. The timeframe for providing this information is shortening and confidence is ebbing.

British Dairying
December 2017
Nigel Davies

Dairy profits down but expected to improve next year

Profit after depreciation fell by 20% to the year March 2017 to £43,404 compared to the 2016 year end, according to Promar's Farm Business Accounts. Recent increases in milk price and a stronger sterling will aid profits to March 2018, but milk price volatility and rising costs will continue to have an impact.

Promar's Nigel Davies, presenting the results in London last month, added there were still sizeable discrepancies between the top 25% and the average. "For instance, the operating profit per cow is more than double compared to the average—at £885 per cow. This amounts to a staggering difference of over £90,000 in profit for an average sized business in the sample."

The top 25% had eight fewer cows than the average and increase in milk price accounted for only £88 per cow. However feed costs were lower—0.33ppl than the average. Better management of grassland and forage crops added a £28 per cow advantage and improved youngstock rearing added another £28 per cow.

The largest discrepancy between the two groups were fixed costs, said Mr Davies. "A striking £216 operating profit per cow difference in the top 25% comes from efficient overhead cost management, which is the equivalent of 2.53ppl.

"Predominantly this difference is made in labour efficiency and machinery related costs. And, with inflation currently at 3%, oil prices increasing and a shortage of quality labour, we forecast that overhead cost will rise rapidly into 2018," concluded Mr Davies.

The Scottish Farmer
December 2017
Lizzie Bonsall

Promar predicts milk price fall

THERE WILL be little Christmas cheer for dairy farmers, following this week's forecast that prices for commodities like butter and milk powder will fall next year, ending the recent brief period of price rises.

Agrifood consultancy Promar noted that dairy commodity prices surged on the back of shortages during 2017, with butter prices hitting record highs during the summer, while UK average farmgate milk prices rose in some cases to 30.13ppl in September .

However, with global supplies now loosening, and year-on-year UK milk production soaring by 4.5% to 1.13 million litres last month, Promar predicted that this will translate to falling commodity prices in the UK.

Consultant Lizzie Bonsall said: "Global dairy wholesale prices appear to be in decline after a period of strong growth over the last 12 months. This change in the global marketplace has been caused by increased milk production, and quotations for butter, skimmed milk powder and whole milk powder easing in October."

Prices were starting to fall as some key import markets were holding back on butter and whole milk powder purchases, she noted, due to impending supplies from Oceania. Butter, for example, fell last month, while European butter prices are down 30% since September, with indications of further falls in the new year.

These factors, combined with falls in the actual milk price equivalent global price indicator (-11% between September and October), limited skimmed milk powder demand in Europe and high volumes in EU storage, could also have knock-on effects for global dairy prices, she suggested.

Although a drop in dairy commodity prices would be good news for consumers and food manufacturers, British producers should brace themselves for fluctuations in farmgate price next year, Bonsall warned.

She added: "We are likely to see significant declines in farmgate milk price during the first part of 2018, based on latest market conditions – although there is no indication that they will challenge the previous low prices witnessed in the previous milk price cycle."

First Milk vice chairman Jim Baird warned: "dairy markets have weakened recently and so the outlook for the UK market continues to worsen."

Farmers Weekly
December 2017
Nigel Davies

Focus on dairy farm labour and machinery costs

By Isabel Davies

Efficient management of labour and machinery costs and working to continually improve technical performance are the key to improved dairy profitability, according to Promar.

Data from the consultancy firm's farm business accounts for the year ending March 2017 showed the operating profit of the top 25% of farms was more than double that of the average farm at £885 a cow.

For an average-sized business in the data sample this amounted to a difference of £90,000 in profit.

Nigel Davies, Promar's national consultancy manager, said the data highlighted the huge disparity in the performance of the top 25% of the sample and the rest.

This included a "striking" difference of £216 a cow in operating profit from more efficient overhead cost management. This is the equivalent of 2.53p/litre.

"Predominantly this difference is made in labour efficiency and machinery-related costs, and all producers should be considering how they can improve these two areas.

"With inflation at 3%, oil prices increasing and a shortage of quality labour, we forecast that overhead costs will rise rapidly into 2018."

While scale was important, the data showed continually improving technical efficiencies across the business was also critical to profitability.

Top farms have eight fewer cows than the average," he said. "And their profitability is also not primarily linked to their milk price, which accounts for just £88 a cow. Yield helps, but not at all costs.

"Reviewing gross margins is key – for instance, the top 25% reported feed costs of 0.33p/litre less than the average, and marginal improvements in herd fertility, culling rates and death."

In addition, the top-performing farms showed an £18-a-cow advantage through better management of grassland and forage crops and an £88-a-cow increase as a result of better youngstock management.

Mr Davies urged farmers to benchmark their own financial performance so they could drive efficiency and get a clear sense of business direction.

"This is something the top 25% practice continually and one that with help, the majority of farmers can also employ."

PROFIT PROSPECTS

- Average profit after depreciation fell by 20% to £43,404 in the year ending March 2017, according to Promar's data.

The upturn in farmgate milk prices came too late in the year to have a significant effect on the bottom line, given prices were also climbing from a low base at that point.

However, most farmers are expected to report improved profitability for the March 2018 year-end.

Sustained milk price increases over the year to date are feeding through to notable improvements in gross profits.

But farmers are being warned that the gains are likely to be diluted by increased overheads and inflationary pressures, and after March 2018, milk price volatility is likely to continue.

Promar works with more than 2,000 dairy farms.

Cow Management
December 2017
Richard Hooson

Calibration is key to feeding accuracy

When was the last time you checked your parlour feeders? Regular calibration will not only ensure accurate and efficient feeding, but it can also improve cow health, fertility and productivity. We spoke to a milking parlour specialist to find out more.

text **Rachael Porter**

It's yet another job on what is often a long to-do list and it's a vital task that can easily be overlooked. But calibrating parlour feeders can be the best two hours producers could invest in, according to Promar's milking systems manager Richard Hooson.

"On some units it will, in fact, be the final piece in the puzzle as to why cows are not performing as they should – be that in terms of milk production, health or fertility. Feed accounts for 40% of costs on a typical dairy unit and producers need to feed cows accurately, whatever their stage of lactation. On paper, cows should be performing, but if they're not actually getting the feed and nutrition that you've allocated for them, because feeders are inaccurate, then you won't see the expected results."

Richard Hooson: "Calibrate feeders with every new load, if possible"

Mr Hooson says that Promar recently carried out a survey of in-parlour feeders and their accuracy and two key points were revealed. "One was that older feeders require more frequent checking and the other is that newer feeders can be as much as 10% out," he says.

Poor calibration

Older parlour feeders definitely require more frequent checking and calibrating – ideally at least twice a year and more often if the concentrate fed through them is changed. "The results showed that some were dispensing between 57% and 122% more cake than they should have been. And this poor calibration is often 'disguised' because other feeders in the parlour are similarly inaccurate. This makes the average cake use across the parlour look fine," explains Mr Hooson.

He says that it's difficult to calculate the exact cost of inaccurate feeders on any unit. "But if we take an extreme example, where half the feeders are dispensing 75% of the required amount and half are giving 125%, the financial costs stack up considerably through under and over feeding cows. Three quarters of the loss is due to reduced milk production from high yielding cows in the herd and the remainder is accounted for by wasted concentrate, fed to the low yielders." Mr Hooson says that putting a financial cost on this scenario, with a milk price of 28ppl and a feed price of £220/tonne, the figure comes out at a cost of £277 per cow per year.

"These are large numbers that producers can't afford to ignore," he adds. "And there's not always a simple answer. Ensuring that parlour feeders are regularly calibrated is the easy one – but this might not always be possible, particularly if feeders are very old.

"Another option is to stop feeding in the parlour, but again this is not without its issues. The third option could be to replace old feeders with newer and more easily calibrated ones. With some simple feeder systems, the investment could be £500 per point and the payback period would be, typically, 24 months. Or, putting it another way, a 24-month hire-purchase agreement would cost the same as the reduction in concentrate cost due to less waste."

Feeder-to-feeder variation

Lely says that the increase in yield can be as high as 20% when producers switch to robots. Mr Hooson believes that at least half of this response will be due to accurately feeding individual cows, compared to their previous in-parlour system.

Looking at newer feeders, regular calibration is vital. The survey results showed minimal feeder-to-feeder variation among newer feeders, but they could still easily be up to 10% out. "And that is purely down to changes in cake density," explains Mr Hooson. "It might not sound like a lot, but applying the same principles as the cost calculation example, this equates to £51 per cow in additional feed costs."

He adds that it's interesting that cake is bought in tonnes, but most feeders are feeding out a measured volume. "So it's little wonder that there are discrepancies when feed is accurately measured."

Mr Hooson stresses that the solution here is to calibrate with every load, if possible, or at least every time the formulation changes. "You might think it's a faff to do, but remember that soya is 33% denser than wheat flour and 5% denser than rape meal. So several of these small changes in formulation can significantly alter the volume of a kilogramme of cake."

Regular measuring really is worth the effort. Producers can do it themselves – it's not difficult and just requires a set of accurate weighing scales. "You just need to measure a kilogramme from all the feeders – and check that it really is a kilogramme that's dispensed. It is laborious, but it's well worth the effort.

Regular testing

"If time is tight, then ask your parlour consultant to include it in your regular parlour test. It's well worth the investment and they'll probably also be more skilled at calibrating feeders that are 'out'. It's worth adding it to your annual static or dynamic milking parlour test too, as a matter of routine."

And, if your parlour feeders are past their best, investing in new ones will be money well spent. "After three years of low milk prices, the market is finally picking up. And producers with a little cash in the bank may start thinking about where that money should be spent. I'd like to firmly suggest that they look at new in-parlour feeders, particularly if they still have a vacuum operated system. Not only will installing electric ones improve feeding accuracy, but put an end to vacuum fluctuations during milking.

"Spend £15,000 on new in-parlour feeders and the payback period can be as short as nine months. For some units, with old and problematic feeders, investing in a new system should be a no-brainer."

The Scottish Farmer
December 2017
Nigel Davies

Milk margins set to improve

HIGHER on-farm milk prices should improve year end figures to March 2018, for most dairy farmers, according to the latest data from Promar's Farm Business Accounts (FBA).

In contrast to the year-ending March 2017, which saw the bottom line of many dairy farm businesses fall 20% to £43,404 due to depreciation, FBA has seen good performance figures to date.

"The sustained milk price increases in the year to date are feeding through to notable improvements in gross profits," said Nigel Davies, Promar's national consultancy manger.

However, he warned that a comprehensive approach to financial performance and planning remains key, as gains this year are likely to be diluted by increased overheads and inflationary pressures. Post-March 2018, he said milk price volatility is likely to continue too.

Mr Davies also encouraged producers to review every aspect of their business to drive efficiencies and ultimately increase profitability.

"This is something that the top 25% practice continually and one that with help, the majority of farmers can also employ.

"The data identifies huge disparities in the performance of the top 25% of the sample. For instance, the operating profit per cow is more than double compared to the average, at £885 per cow. This amounts to a staggering difference of over £90,000 in resulting profit for an average sized business in the sample."

Mr Davies added said with the average herd size increasing by four cows, and farm land increasing by 2.4ha per holding, many producers are driving economies of scale.

"Scale is important, but critical to profitability is a need to continually improve technical efficiencies across the business. Interestingly, the top 25% of farms have eight fewer cows than the average, and their profitability is also not primarily linked to their milk price, which accounts for just £88 per cow.

"Yield helps, but not at all costs. Reviewing gross margins is key," said Mr Davies pointing out that the top 25% reported feed costs of 0.33ppl less than the average, and marginal improvements in herd fertility, culling rates and death.

It's not all about focusing on the milking herd either as the data highlighted that management of grassland and forage crops gives the top 25% an £18 per cow advantage, while better youngstock management can add a significant £28 per cow advantage.

In addition, he said overhead costs should not be viewed as 'fixed'.

"A striking £216 operating profit per cow difference in the top 25% comes from efficient overhead cost management which is equivalent to2.53ppl.

"Predominantly this difference is made in labour efficiency and machinery related costs."

With inflation currently at 3%, oil prices increasing and a shortage of quality labour, he forecast overhead costs will rise rapidly into 2018, hence all enterprises should be carefully considering the dynamics of their own financial performance.

Farming Life
December 2017
Nigel Davies

Latest data from Promar shows the challenge of the bottom line

Nigel Davies, Promar's National Consultancy Manager.

The latest data from Promar's Farm Business Accounts (FBA) for the year-ending March 2017, shows that the upturn in on-farm milk prices came too late in the year to hugely impact the bottom line, as profit after depreciation for the average farm in the sample fell by 20% to £43,404, compared to the year-ending March 2016.

Reporting from Promar's annual data briefing, Nigel Davies, Promar's National Consultancy Manager, identifies that a big factor in this fall was a decrease of £90 per cow at gross margin level.

However, he remains more optimistic about the March 2018 year-end outlook, which should report improved profitability for most. "The sustained milk price increases in the year to date are feeding through to notable improvements in gross profits so far into the year," says Nigel. But he adds that a comprehensive approach to financial performance and planning remains key, as gains this year are likely to be diluted by increased overheads and inflationary pressures, and post-March 2018, milk price volatility is likely to continue.

He also encourages producers to review every aspect of their business to drive efficiencies and ultimately increase profitability. "This is something that the top 25% practice continually and one that with help, the majority of farmers can also employ.

“The data identifies huge disparities in the performance of the top 25% of the sample. For instance, the operating profit per cow is more than double compared to the average, at £885 per cow, this amounts to a staggering difference of over £90,000 in resulting profit for an average sized business in the sample.”

He adds that with the average herd size increasing by four cows, and farm land increasing by 2.4ha per holding, many producers are driving economies of scale. “Scale is important, but critical to profitability is a need to continually improve technical efficiencies across the business.

“Interestingly the top 25% of farms have eight fewer cows than the average. And their profitability is also not primarily linked to their milk price, which accounts for just £88 per cow.

“Yield helps, but not at all costs,” adds Nigel. “Reviewing gross margins is key, for instance the top 25% reported feed costs of 0.33ppl less than the average, and marginal improvements in herd fertility, culling rates and death.”

It’s not just about focusing on the milking herd, says Nigel. “Management of grassland and forage crops gives the top 25% an £18 per cow advantage. Better youngstock management can add a significant £28 per cow advantage too.”

He also adds that overhead costs shouldn’t be viewed as ‘fixed’. “A striking £216 operating profit per cow difference in the top 25% comes from efficient overhead cost management, which is the equivalent of 2.53ppl.

“Predominantly this difference is made in labour efficiency and machinery related costs, and all producers should be considering how they can improve these two areas.

“And, with inflation currently at 3%, oil prices increasing and a shortage of quality labour, we forecast that overhead costs will rise rapidly into 2018,” says Nigel.

He adds that every enterprise should be carefully considering the dynamics of their own financial performance. “Using data such as Promar’s Farm Business Accounts or MilkMinder, will help producers identify key areas for investment and build a clear sense of direction and focus for the future.”

Darlington & Stockton Times
December 2017
Nigel Davies

Dairy profits fall for average farm but outlook is optimistic

By Mike Bridgen

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THE upturn in on-farm milk prices came too late in the year to boost the bottom line.

The latest data from Promar's Farm Business Accounts (FBA) for the year-ending March 2017, showed profit after depreciation for the average farm in the sample fell by 20 per cent to £43,404, compared to the year-ending March 2016.

Nigel Davies, Promar's national consultancy manager, told the company's annual data briefing that a big factor in the fall was a decrease of £90 per cow at gross margin level.

However, he was more optimistic about the March 2018 year-end outlook, which should report improved profitability for most.

Mr Davies said: "The sustained milk price increases in the year to date are feeding through to notable improvements in gross profits so far into the year."

However, he said a comprehensive approach to financial performance and planning remains key, as gains this year are likely to be diluted by increased overheads and inflationary pressures, and post-March 2018, milk price volatility is likely to continue.

He also encouraged producers to review every aspect of their business to drive efficiencies and ultimately increase profitability.

He said: "This is something

Nigel Davies, Promar's national consultancy manager that the top 25 per cent practice continually and one that with help, the majority of farmers can also employ.

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He said that with the average herd size increasing by four cows, and farm land increasing by 2.4ha per holding, many producers are driving economies of scale.

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The Farmer (Shropshire)
December 2017
Nigel Davies

Data reveals milk quality bolsters PPL

Data from the latest Milkminder costed herds report, shows that increased butterfat and protein percentages led to a 0.26ppl equivalent improvement for August 2017, in comparison to 2016.

Nigel Davies, National Consultancy Manager at Promar, explains how controlled improvement and attention to detail has been the key driver for this.

"The latest figures from our Milkminder costed herds matched sample report, shows an improvement in butterfat and protein to 3.97 per cent and 3.27 per cent respectively for the average producer in the sample, which has been achieved through careful attention to balanced feeding.

"In a period of the summer that proved challenging for the management of fodder in some areas, for producers to achieve an increase of over 0.04 per cent in both butterfat and protein levels, is very positive news," he explains.

"On a typical manufacturing contract, this is the equivalent to an extra 0.26ppl milk price.

"And, although this positive increase is not much when compared to the fluctuating commodity milk price and the level of market volatility witnessed in recent years; it's important to remember that all year-on-year improvement really does count towards bolstering the bottom line."

The Grocer
December 2017
Lizzie Bonsall

Dairy price volatility set to return in 2018, warns consultancy

Kevin White

Prices for dairy commodities like butter and milk powder are set to fall next year as the recent period of inflation comes to an end and volatility returns to the sector, agrifood consultancy Promar has predicted.

Dairy commodity prices surged on the back of shortages this year, with butter prices hitting record highs of more than £6,000/kg during the summer, while UK average farmgate milk prices rose to 30.13ppl in September [AHDB].

However, global supplies are now loosening, with year-on-year UK milk production soaring to 4.5% to 1.13 million litres last month [AHDB].

European butter prices are down 30% on September

"Global dairy wholesale prices appear to be in decline after a period of strong growth," said Promar consultant Lizzie Bonsall. "This change in the global marketplace has been caused by increased milk production, and quotations for butter, skimmed milk powder and whole milk powder easing in October."

Prices were starting to fall as some import markets were holding back on butter and whole milk powder purchases, she noted, due to impending supplies from Oceania. Butter, for example, fell to £4,500/kg last month [AHDB], while European butter prices were down 30% since September, Bonsall said.

These factors, combined with falls in the actual milk price equivalent global price indicator (–11% from September to October), limited skimmed milk powder (SMP) demand in Europe and high SMP volumes in EU storage, could also have knock-on effects for global dairy prices, she suggested.

Farming Futures
December 2017
John Giles

UK Poultry industry to prosper?

With food inflation recently reaching a five-year high of 3%, the UK poultry industry could be set to prosper, explains Promar's Divisional Director, John Giles.

"With inflation increasing, UK consumers will continue to look to the poultry sector for a value for money source of protein. And, this could drive up demand, providing the perfect opportunity to attract investment and build further on the growth seen over the last ten years in UK production."

John adds that the UK poultry industry has been a real success story with poultry now accounting for 40% of all meat consumed in the UK. "The highly integrated nature of the sector and significant investment in genetics to reduce production times, have been instrumental in producing what is now the most economical source of meat protein." At the other end of the supply chain, the processing industry has also capitalised on key consumer trends, such as healthy eating, and an interest in free range and organically produced food, John explains. "The sector has met consumer desire for convenience and versatility, by producing a wide range of consumer ready and value-added products, with an inherent value for money proposition. "However, despite the cheaper shelf price, there is still a demand for good quality food with high production standards. And, as the UK produces some of the highest quality produce in the world, the industry should capitalise on this, while not becoming complacent in this area." John adds that UK poultry production is currently around 72% self-sufficient, with the remainder being sourced largely from the Continent, from countries such as the Netherlands, Ireland, Poland and Germany.

"As supermarkets are keen to promote British-sourced produce and with uncertainty surrounding import tariffs post-Brexit, there is an opportunity for UK production capacity to increase. However, the industry will need additional investment in both production and processing capacity, as well as further improvements in consumer marketing," says John.

The sector is attractive to both UK and international investors, as seen by the recent acquisition of the UK's second largest processor, Moy Park, by the US based, Pilgrim's Pride, John explains. "This is just one example of a UK agricultural and food market that is attractive for investment. "Almost regardless of the final outcome of Brexit, the industry should be recognising its assets and taking advantage of the opportunities for further market and supply chain development."

Crewe Chronicle
December 2017
John Giles & Lizzie Bonsall

Expert panel offers advice

Reaseheath College

STUDENTS at a Nantwich college were given key advice on their future at a "Question Time" session with industry experts.

Reaseheath College agriculture students took part in a "question time" discussion on careers in farming and food production, which was sponsored by the Food, Drink & Agricultural Group of the Chartered Institute of Marketing (CIM) and organised by the Nantwich college's Agricultural Development Academy and agricultural department.

The speakers at the event were able to give valuable advice on the opportunities available in the industry, how to build a career and the attributes employers look for when recruiting.

Undergraduates and final year Level 3 Extended Diploma in Agriculture students took the opportunity to quiz the panel, which included John Giles (Chair of CIM's Food, Drink and Agricultural Group and Divisional Director at Promar International), Lizzie Bonsall (Consultant, Promar International), Sally Scott (Barclays Bank Agricultural Manager) and Dan Lovatt (dairy farmer and Reaseheath alumnus).

John Giles said: "A degree will always give you the edge because it demonstrates you have a trained mind and can apply yourself. But interpersonal and life skills are very important because in the end it will come down to how well you manage your business, whatever that might be, and how you interact with your teams and with the people you employ.

"Good graduates will get jobs. There are great opportunities out there, provided you study hard and embrace what Reaseheath has to offer. But be proactive, take advantage of every opportunity, join discussion groups, network and never stop learning."

Lizzie Bonsall said: "It's about understanding the market and doing the best to your ability. Relatively small farms can be profitable without the need for large investment provided you manage them well."

The Q & A session, which was chaired by agricultural lecturer and beef and sheep farmer Phil Gibbon, has been a popular event in the agriculture department's diary for the past five years and is part of CIM's outreach programme.

● Panel members Sally Scott, Lizzie Bonsall, Dan Lovatt and John Giles with undergraduates Holly McCall, Larry Anscombe, Rachel Armour and Matt Scott