MEADOW FARM MODEL

- **154 Ha mixed lowland farm (40 Ha on FBT)**
- **Beef, sheep and arable; Proprietor + 1 F.T. family**
- ***Can be Restructured to improve profits***

£ per Ha	22/23①	23/24②	23/24③	Restructure③
Output	1,619	1,609	1,526	1,380
Variable Costs	871	699	756	613
Gross Margin	748	910	770	767
Overheads	631	650	652	552
Rent and Finance	76	84	82	82
Drawings	249	253	259	195
Farming Margin	(208)	(77)	(223)	(62)
BPS + CS/SFI	184+22	150+22	115+171	115+157
Business Surplus	(2)	95	63	210

Source: Andersons ① Result ② Provisional ③ Budget ④ SFI payments are shown *gross* – costs of compliance are in farming costs.

'Meadow Farm' is a notional 154-hectare (380 acre) beef and sheep holding in the Midlands. It consists of grassland, with wheat and barley mainly for livestock feed. There are 60 spring-calving suckler cows with all progeny finished, a dairy bull beef enterprise and a 500-ewe breeding flock. In most years, the business makes a loss from its farming activity and has required the BPS (and a small Countryside Stewardship (CS) scheme) to bring it back into profitability. The decline in the BPS will test this enterprise. However, for the 23/24 year the farm's CS has ended and the business has gone into the SFI (2023 version). It can be seen that this brings in significant income – but the costs are included in the farming margins. A few key variables are given below;

	22/23	***23/24***	***24/25***
Beef Price (ppkg)	446	478	448
Lamb Price (ppkg)	545	574	504
Wheat Price (£ per tonne)	242	190	185
Cattle Feed (£ per tonne)	375	330	305
Nitrogen (£ per tonne)	915	465	380
Tractor Diesel (ppl)	110	82	78

The farm can be restructured to make a better overall return. The restructuring sees the dairy beef enterprise discontinued and suckler progeny are sold as weaned stores, rather than as finished beasts. The sheep enterprise is increased from 500 ewes to 700 ewes and the arable land is fully contracted out. There is a rationalisation of the farm machinery. The proprietors' time is freed-up and so there is opportunity to earn more income off-farm (as a result, drawings reduce). Although there is still no margin made from agricultural activity the business does make a good overall profit.

LOAM FARM MODEL

- 600 Ha of combinable crops (Wheat, Barley, Oats & Beans); 240 owned and 360 on FBTs
- owner, 1 FT worker & harvest casual

£ per Ha	2021①	2022①	2023②	2024③
Output	1,523	2,136	1,791	1,672
Variable Costs	390	460	754	573
Gross Margin	1,133	1,676	1,036	1,099
Overheads	437	507	545	589
Rent & Finance	242	243	256	266
Drawings	78	80	82	86
Farming Margin	376	847	153	157
BPS (+ SFI from 2023④)	198	163	128+40	93+83
Business Surplus	574	1,009	321	333

Source: Andersons ① Result ② Provisional ③ Budget ④ SFI payments are shown ***gross*** – costs of compliance are in farming costs.

This board shows the latest Loam Farm figures. Note that 2024 figures do not yet include any yield reduction from wet autumn / winter 2023. Loam Farm managed to get all its planned autumn drillings done, but it is not yet clear what the yield effect might be. Loam Farm is a notional business which has been running for over 30 years and tracks the fortunes of combinable cropping farms. It is a 600-hectare farm in a simple rotation of combinable crops. In 2021, Loam Farm performed well. A change in cropping (away from oilseed rape) resulted in lower variable costs, versus pre-2020. The business surplus for 2021 was a record at the time. In 2022, costs increased, but many of the inputs had been purchased early for the 2022 crop, so exposure to price rises was limited. With high average sale prices for the crop, the spectacular profits can clearly be seen. For 2023, there was significant further unavoidable increases in costs. With prices declining from recent highs, the margin from production is much reduced. However, it should be noted that a good profit is still forecast. For the coming 2024 year, costs are lower (mainly fertiliser but some others too). But forecast output declines. The fall in BPS is mitigated by involvement in SFI. A few key variables are given below;

	2021	***2022***	***2023***	***2024***
Feed Wheat (£ per tonne)	198	255	202	195
Beans (£ per tonne)	250	269	236	220
Nitrogen (£ per tonne)	210	275	675	370
Tractor Diesel (ppl)	52	90	85	78

WHAT DO THE BEST DO?

Features of Top-Performing Farms

- Have a clear business strategy, shared with partners – set goals and budgets
- Compare themselves with others, not just in their sector, and gather information
- Control costs – especially overhead costs
- Understand their market and meet its requirements
- Focus on the details that matter but retain a view of the big picture
- Have a mindset for change and innovation
- Manage people well and motivate them
- Remain disciplined and stick to a strategy

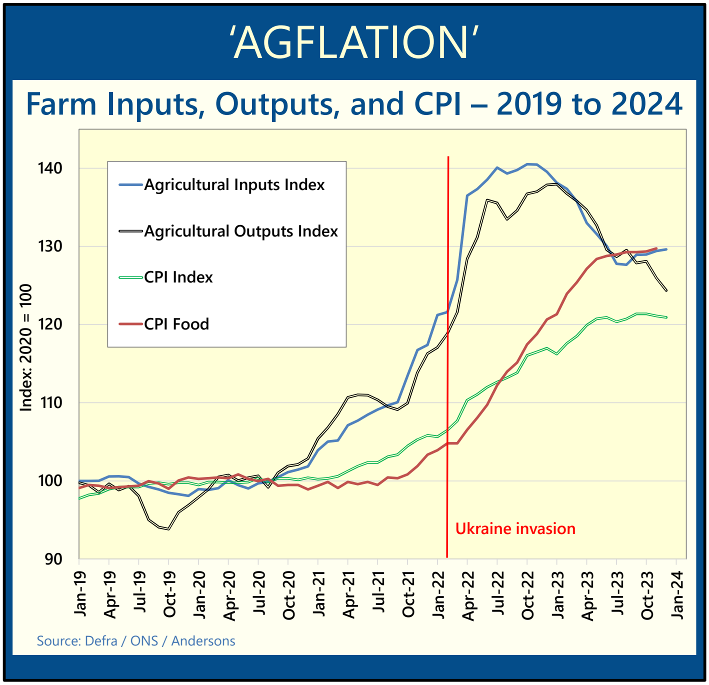
Source: Andersons research for the AHDB

Andersons have recently updated an analysis undertaken for the AHDB looking at the characteristics of the top-performing farms. The update has not yet been published, but the original report can be found at - https://ahdb.org.uk/knowledge-library/preparing-for-change-the-characteristics-of-top-performing-farms. The findings are generally unchanged. This slide sets out eight of the key features that can be found in farms that show the best financial outcomes.

CHANGING SUPPORT

- **In 2024, BPS will be at least half of 2020 levels**
  - also now 'delinked' – no need to occupy land
- **Many opportunities to integrate SFI into commercial farming operations;**
  - using whole-field options as a rotational break crop
  - taking non-profitable areas out production
  - being paid for actions many farms doing anyway (cover crops, no insecticide, hedge management etc.)
  - *also, Countryside Stewardship being 'revamped' for 2024*
- **Capital grants (40%) for equipment and machinery under the Farming Investment Fund**
  - Slurry Investment Scheme now open (50% grant)
- **FREE Business advice under the Future Farming Resilience Fund – ask us for details**

This board provides a summary of the changing (English) support landscape. The move away from the BPS is well underway. For 2024 all farms will be receiving payments at least half of those in 2020. Also, payments are now 'delinked' from land – there will be no requirement to occupy farmland to receive the payment. The Sustainable Farming Incentive is now getting established. Although it has been slow to start, the 2023 'offer' has a much in it that is worth looking at for English farmers. The scheme won't be for everyone, but the majority of farmers should at least consider it. The announcement from Defra earlier in the month highlights that ELMs schemes will continue to build with more action available from the summer. Money is also being directed at 'productivity' schemes to improve the efficiency of English farming. These largely comprise capital grants. The final round of free farm advice under the 'Farm Resilience' scheme is now open (until March 2025). A number of different providers are available (including Andersons under the Ricardo consortium) – each provides a different level of service, so it pays for farmers to 'shop around'.



This chart shows the latest Andersons 'agflation' figures up to Dec 2023. Our agflation index uses Defra Agricultural Price Indices for agricultural inputs and weights each category of input (e.g. animal feed) by the overall spend by UK farmers. We fill in some gaps not covered by the Defra series and also provide some up-to-date estimates for the latest months (the official figures work some months in arrears). The same methodology is used for agricultural outputs. Prices (and output values) were already rising through 2021 due to post-Covid supply-chain issues and the bounce-back in the world economy. This was then turbo-charged by the invasion of Ukraine. It can be seen that input costs have fallen overall. This is mainly due to the reduction in commodity-related costs such as fuel, fertiliser and animal feed. Many of the 'overhead' type costs including machinery, wages and now interest costs remain high and even continue to rise. The output price index has also reduced – mainly as a result of falls in milk and grain prices. If costs remain high but prices weaken, this puts farm margins under pressure. Both the agflation and agricultural output indicies relate to the entire farming industry. The prospects for individual sectors will depend on how specific costs and prices are moving. The chart also shows CPI along with the specific food inflation measure. It can be seen that food is one the elements driving general inflation in the economy. It is not necessarily the case that higher commodity prices are driving food-price inflation - the cost of the raw materials is often a very small part of the cost of food. It is other elements in the food chain such as electricity, fuel and labour that are pushing up costs. Food comprises a larger proportion of the spending of those on the lowest incomes. Therefore, effective inflation for those people will be even higher than the headline CPI rate.

HOW CAN WE HELP?

- **Strategic planning and options for change**
  - business strategy
  - succession planning and retirement
- **Increasing farming profits**
  - what to crop, where to crop it, how to crop it
  - simple, profitable, livestock systems
  - areas for improvement and lowering costs
- **Growing your business**
  - investment appraisals and bank finance
  - joint venture agreements and collaboration
  - rent tenders and reviews
- **Maximising business opportunities**
  - grant funding applications and diversification
  - agri-environmental schemes

+ Consultancy for the agri-food supply chain

Andersons the Farm Business Consultants has been helping farming businesses thrive since 1973. We remain at the forefront of the sector with cost-effective and practical advice for all types of businesses.

For details of your local Andersons office please go to;

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