

**Peter Cook
P & L Cook and Partners**



Arable Monitor Farm (Angus)

James & Hugh Black
Backboath Farm
Carmyllie
By Arbroath
DD8 2SS
Tel 01241 860213

Report on 1st Meeting held 22nd November 2007

Provisional date of next meeting: Tuesday 11th December 2007

Facilitators: Peter Cook Tel 01467-642802 cooknewton@btopenworld.com
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SCOTTISH EXECUTIVE

TOP TIPS FROM MEETING

1. World wheat demand (620M t) is growing on average by 7M t per annum (equivalent to half the UK wheat crop) and world stocks are at their lowest level for 30 years.
2. Those growers on forward contracts last year missed out on the steep rise in prices. However, don't assume the spot market will be the best option this year. The market is very volatile so managing risk is important.

INTRODUCTION

A good turnout of around 43 farmers, members of the trade, and others from the agricultural sector attended the inaugural meeting held at Backboath Farm. The weather the previous two days had seen continuous rain but fortunately it stayed dry during the meeting although bitterly cold.

The meeting started at 1.00pm in the potato grading shed and Peter Cook (joint facilitator) welcomed everyone and outlined the project. He reminded the Group that the main aim of the project was to improve the profitability of the Monitor Farm and the farms of the Community Group and that it was a 3-year project with funding from HGCA (50%), Scottish Government and Scottish Enterprise. The Monitor Farm concept helps farmers to share experiences, find out how others have tackled problems, try new techniques, bring in leading specialists, and all done on a real farm – Backboath. He emphasised the project is about practical farming and good business decisions, with success depending on local farmers involvement.

The aim of this first meeting was as follows:

1. Meet James & Hugh Black, get to know the farm, the land, enterprises and system.
2. Have a look around the 3 farms, buildings, crops, get lie of land.
3. Review the business by undertaking a SWOT analysis
4. Identify issues that need attention and possible future meeting topics
5. Discuss the formation of 3 new Arable Business Groups

FARM DESCRIPTION

The Monitor Farmer, Hugh (22), then welcomed everyone on behalf of himself and his father James. He then described the farm business and its development.

The business extends to 890 acres (all owned) comprising three adjoining farms – Backboath (home base), Slade (main grain store) and Newton of Carmyllie. The land is good deep loam and altitude ranges from 400 – 600 feet. The business is now all-arable with no livestock enterprise (previously had B&B pigs but stopped 2006).

The farm employs one full-time man (Colin), spring and autumn assistance from a neighbours employee and other casual labour.

Table 1: Cropping and average yields (ha)

	2007	Yield (t/ha)	2006	Yield (t/ha)	Av. 3-yr yield
W. Wheat	117	9.3	90	8.9	10.03
W. Barley	46	9.6	55	10	9.67
Sp. Barley	64	6.3	93	4.4	5.33
OSR	51	4.4	56	1	2.73
Set-aside	23		23		
Potatoes	41		33		
sub-total	342		350		
land rented out (veg)	22		14		
Rented land pots	47		63		
Total	411		427		

Set-aside for the last 3 years 23ha - 22 ha Industrial OSR, 1 ha grass

The farm is well mechanised and undertakes most of the work with occasional help from the Ring – e.g. big square baling.

Have ample grain storage – 7,000t at Slade with a weighbridge. Continuous flow drier 20t/hr. All the fields are mapped on GPS with crop yields monitored since 2000. Apply vari-rate lime to match mapping results and plan to go to vari-rate P&K in the future. Operate 24M tramlines. Make use of Hen Pen from local poultry business. Agronomy advice is provided by Allen Scobie.

The potatoes are the main enterprise (250ac), with normally 150ac on rented land. Five varieties are grown for both the ware and seed markets. Fortunately can irrigate all the land. Have potato storage at 4 sites totalling 5,500t with 4,000t refrigerated (Backboath 1,500t and 2,500t at Slade). All the potato dressing done at Backboath (Schouten line 100t/day). Potato agronomy advice from Scottish Agronomy (Eric Anderson).

James then briefly described the historic development of the business. He previously farmed in partnership with his brother in Fife and came to Backboath in 1969. It extended to 340ac and cost £80k to purchase. A further 74ac was added in 1974 for £56k. The original family partnership with his brother was then split in 1995. Slade (300ac) was bought in 1995 for £2,600/ac. Finally, Newton of Carmyllie (200ac) was bought in 2003 for £5,000/ac.

The farm's objective?

Hugh's main aim is to improve enterprise performance to increase profitability. An important aim is to repay the loan required to buy Newton. In addition, he has other issues to address:

- ❑ How to improve grain marketing
- ❑ How to tackle machinery replacement
- ❑ How to grow the business
- ❑ Seed versus ware potato decisions
- ❑ Other enterprises worth considering e.g. vegetables, organic poultry?
- ❑ Replacing the potato grading line

Farm Tour

The group then had a quick look round some growing crops and the steadings at the 3 farms before stopping at Carmyllie Hall for a coffee break and the rest of the meeting.

CARMYLLIE HALL SESSION

Market Outlook

Bruce Ferguson, Grainfarmers' Scottish Manager, provided the Group with a market overview. Key points:

- The fundamental driver in the cereals market is the fine balance between supply and demand.
- The two key cereals are maize and wheat with respective world demands of 700MT and 620MT (25% US maize goes to biofuel).
- World wheat stocks at historic low levels (30yr) - equivalent to 50-60 days demand (106MT)
- Area of world wheat planting expected to increase by 7% - if normal harvest → production increased → wheat prices could come under pressure.
- Average trend shows demand for wheat increasing by 7MT a year; China and India main driver
- Key feature of the market now is increased volatility → increased risks
- UK Wheat crop 13.2MT, 400k tonnes already exported (well ahead of normal position at this time of year), expect another 600k tonne still to export. Wheat demand is covered up until end-January
- OSR plantings expected to be 15% down this year. Crops in England look patchy. Production 07/08 clearly will be down. Expect tight supplies. Prices £250/t + ex-farm
- Changes to the tax on biofuels in Germany has impacted on demand for OSR for biodiesel.
- Malting barley peaked at £200-£205/t ex-farm. Old crop played out till Feb/Mar. No export demand at present. Demand for low N malting barley 700k tonnes.
- 2008 expect little change in Scottish spring barley area (220k ha). So still tight supplies.
- Remember effect of high prices → rationing or substitution by users.

Table 2 Cereal Prices

	Current Ex-farm	Harvest 2008
Wheat	£165	£125
Malting barley	£195	£180*
Feed barley	£148	£115
OSR	£265	£258

Source: Bruce Ferguson 22 Nov 07

Key: * = low N 1.55%

Group Exercise

Jim Booth then asked the Group to review some selected financial data for Backboath and on the basis of the farm description and tour to carry out a SWOT.

Selected Financial Data (Backboath Farm)

Table 3: Costs and Margins expressed as % of Total Farm Output

	2004	2005	2006	Target'
	%	%	%	%
Output	100	100	100	100
Variable Costs	22	26	23	30 - 35
Gross Margin	78	74	77	65 - 70
Labour	9	12	12	35
Power	17	37	32	
Overheads	6	8	7	
Gross Profit	46	16	26	30
Fixed Charges	17	23	22	15 max
Net Profit	29	-6	4	15

Key:

Variable Costs include seed, fertiliser, purchased feed, etc

Labour is employed labour & casual

Power is all machinery costs including: repairs, fuel, electric, depreciation & contract

Overheads includes insurance, property repairs, professional fees, office exps, etc

Fixed Charges are land rent & interest

Main points from financial analysis:

- Variable costs are lower than norm, so good gross margin
- Power costs high
- Fixed charges high – bank interest and potato rents
- Profit very variable.
- Farm SFP £67k

SWOT Results

STRENGTHS

- Farm size and quality of land
- Quality of management, experience & youth
- Can irrigate all the land
- Low labour costs? (only one full time employee)
- No livestock – keeps it simple
- All land in a block
- Potential to expand (machinery and storage capacity)
- Development potential at Newton
- Good modern equipment
- Good records & information

WEAKNESSES

- Getting clean land for tatties
- High fixed charges (potato land rent and bank interest)
- Reliance on casual labour
- Spring Barley yields
- Not enough potato cold storage
- Moving potatoes for grading
- High power costs
- Reliance on tatties – risky
- 1 main buyer of potatoes
- OSR yields

systems

- Plenty storage – grain and pots
- Good neighbours/ neighbouring arrangement for labour and machinery
- Low variable costs (in relation to output achieved)
- Profits v. variable

OPPORTUNITIES

- Expand potatoes
- Develop steading at Newton
- Introduce new crops – veg?
- Expand Hen Pen use
- Diversification – wind power?
- Massive simplification; Let whole farm
- Improve crop marketing
- Drop tatties, concentrate on grain

THREATS

- Rising cost of inputs – squeeze on margins
- Bank interest rate
- CAP Reform
- Increasing compliance – e.g. NVZ's
- Shortage of labour skills → risk
- Loss of/ resistance to agrochemicals
- Weather patterns
- Rising power costs
- Conflict cereals v. tatties
- Only one major tattie buyer

In the last session of the day, the Group considered areas for improvement and ideas for future meetings. These included:

- ❑ Cost Analysis, machinery replacement policy
- ❑ Marketing strategies – contracts – managing risk
- ❑ Alternative enterprise – what is new
- ❑ Min Till systems
- ❑ Variety use & choice
- ❑ Finance issues – handling banker, sources of finance, pensions, Euros, etc
- ❑ Potato enterprise – improving performance & profitability

OTHER PROJECT BUSINESS

The Community Group

The Community Group (CG) are local farmers, members of the trade, professionals and anyone who has an interest in arable farming. Members will receive invitations to all future Monitor Farm meetings (6 per year) and will help identify the issues/ topics for future meetings. The CG are the key stakeholders and owners of the project. CG members are expected to participate and share in the discussions - shared learning is vital. The aim is that members then apply the learning to their own businesses.

If you wish to be a member of the CG and receive invitations for future meetings you must provide your contact details.

Arable Business Groups

In addition to the Monitor Farm based at Backboath, the project will also establish three new Arable Business Groups (ABG's). The aim of the ABG's is to form smaller closed groups (8-12 members) with a clear focus on the business / marketing

aspects of their arable enterprise. Benchmarking will form a key part of the ABG's with members expected to share detailed income/costs data to look for improvements.

So ABG's are smaller satellite groups who will meet 4 times per year, and receive professional support. May include an existing agronomy / discussion group who want to now focus on improving business performance.

Those who wish to join an Arable Business Group must get in contact by 7th December 2007.

Management Committee

Remember this is a farmer led and owned project. With that in mind, we aim to establish a small Management Committee to represent the Community Group.

The Management Committee's role includes

- to advise facilitators and the Monitor Farmers on any aspects of the project
- appoint a Chairperson (rotate every 6-months)
- to approve expenditure and selection of Specialist inputs
- provide feedback on the project
- provide an independent point of contact for Community Group members
- and generally to represent the Community Group

Members of the Selection Committee have agreed to form the core of the first Management Committee. They include:

- David Pate, Kinreich Farm, Inverarity. Tel 01307 - 820340
- Mike Cumming, Lour Farms, Ladenford, Forfar. Tel 01307 - 463191
- Andrew Moir, Thornton Mains, Laurencekirk. Tel 01561 - 377230

Reports from Meetings

Full reports from each meeting will be available off the web at either of the following:

SAOS www.saos.co.uk (Click 'Monitor Farm Projects' on 1st page, right hand)

HGCA www.hgca.com

Jim Booth
Peter Cook