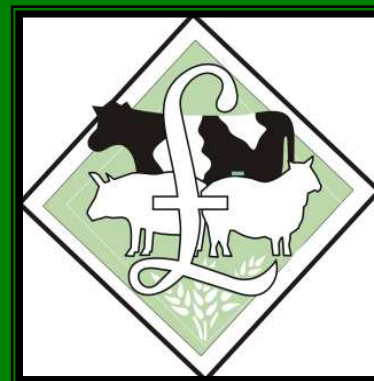


January 2011

The FARM CONSULTANCY Group

FCG Business Briefing

Issue 15



Welcome to our first issue of 2011. Inside this issue we have a wide variety of topical farm business management tips, reminding you of deadlines, highlighting timely management practices and questioning current practices, all provided by our expert panel of consultant contributors. These can be contacted via the link at end of articles for more information. Also check out our updated website at www.fcgagric.com for latest news articles and much information about The Farm Consultancy Group.

For feedback or comments contact Gerard Finnan at gerardfinnan@fcgagric.com. Happy New Year.

RESTRUCTURE OF TIR MYNYDD PAYMENTS—Huw Thomas (Carmarthen)



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

The Rural Affairs Minister for Wales, Elin Jones has announced that farmers who receive a Tir Mynydd payment in 2011 will be eligible to apply for a full payment in 2012; however, the payment will be capped at the 2011 payable area. Previously, the Minister had announced that as part of the transitional arrangements

for Glastir, the Welsh Assembly Government would pay farmers 90% of their 2010 Tir Mynydd claim in the form of a 60% payment in 2012 and a 30% payment in 2013.

At a meeting with farming unions on Wednesday 15th December the Minister announced that all eligible Tir Mynydd farmers will receive 100% of the payment rate per eligible hectare in 2012. This will include Tir Mynydd farmers who will enter Glastir in 2012. There will be no further Tir Mynydd payments after this. The change will result in an increased payment to Tir Mynydd farmers and the industry of approximately £2.5m.

Contact Huw Thomas at huwthomas@fcgagric.com for more information.

Johne's Disease - William Waterfield (Andover)

This can cause severe losses to a dairy herd if not controlled. It is a highly infectious wasting condition of cattle and other ruminants that causes reduced milk yields (up to 25%), diarrhoea, severe weight loss, decreased fertility, increased susceptibility to mastitis, and eventually death. It is estimated that Johne's is currently present in 20% of dairy herds in the UK averaging 3.4 cases per 100 cows per year and costing £850 per case. Whilst this may not seem too bad, the potential for Johne's to cause a severe loss occurs because of the slowly developing nature of the disease.



Cattle are mainly infected with Johne's through ingesting the disease causing pathogen, MAP, which is shed in the faeces, milk and colostrums of infected animals. Cattle are most susceptible to the disease in the first few months of life and rarely contract the disease after 6 months of age. Calves can also become infected in the uterus of infected mothers (10% probability). Infected cattle seldom show any symptoms of the disease before 2 years of age and in many cases do not show signs until they are 5 or 6 years old which is when they begin to shed the disease.

Because of the high risk of disease spread at calving, every dairy farmer needs to know their herd's status and have a plan of control in place.

For more information contact William Waterfield at w.waterfield@fcgagric.com.

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**Soil sample now to minimise your fertiliser bill this Spring! – Mike Lowe (Helston)**

Soil sampling is generally best done close to the next growing season as this gives the most up-to-date information upon which to base fertiliser applications. However, that is not the case if slurry or manure has been spread over the winter. Unless spreading took place more than 6 to 8 weeks before sampling and the spread material has completely disappeared into the soil profile, it is safer to do an earlier sample and adjust for the value in applied slurry or manure. If you accidentally pick up small amounts of slurry when sampling, you will overestimate the soil nutrient status and underestimate fertiliser application with predictable results. You should sample one third of your farm annually.



Now is the right time to get the soils analysed to help make informed fertiliser application decisions in a months time. With much higher fertiliser prices, there may be an opportunity to reduce P & K applications if indices are high or apply P&K to low index soils to ensure the maximum uptake of expensive purchased nitrogen.

Contact your local FCG office to order a sample kit today or contact Mike Lowe at mikelowe@fcgagric.com.

Pass the salt please – James Shenton (Sherborne)

Do your cows have higher milk quality percentages this year than expected? Are they not quite giving the level of milk yield you expect? Are your cows' coats lacklustre? If your diet is balanced for the major nutrients, consider salt deficiency. Salt is critical for dry matter intake as a cow can only eat as much food as she has water to process and she will only drink as much water as she has salt to regulate the intake of water. Also salt helps produce the hydrochloric acid that digests food in the true stomach.

Why are we short on salt? High Potassium levels depress sodium uptake in plants and so those farmers who apply large levels of slurry or have high K soil indices beware. It is easy to check if your cows need more salt; buy some lump rock salt and offer it adlib. If the cows take to it, consider applying salt to pasture and silage grounds in the spring - 125kg/Ha granulated Cheshire rock salt. Salt applied to silage ground will also act as a silage preservative. When offering salt, it is critical to ensure that cows have adlib water (as they should always). If cows are shown to have a demand, you can add salt to the mixer wagon to ensure all animals get an even intake. It can also be offered to young stock in the form of adlib rock salt. Do not, however, feed to dry cows as udder oedema can result.

For more information please contact James Shenton at jamesshenton@fcgagric.com.

Milk Bench Plus—Charles Holt (Lincoln)

A reminder - I am able to do the DairyCo Milkbench+ assessment of your dairy unit, and I would welcome the opportunity of running through it for you. Remember there is no cost to you (apart from your time) and, indeed, you are already paying for it as a DairyCo levy payer. Contact Charles Holt at charlesholt@fcgagric.com to discuss this further. I would be very interested in doing it for a whole discussion group, as well as for individual producers.

D.**Solar Panel (PV) Investments- Payback may be longer than you were told! - Edward Gosling (Andover)**

Payback on original investment is normally closer to 14 years than the 7- 10 years quoted by attractive marketing literature. This is due to some of the hidden costs not included in the calculations as follows|:

- Extended warranties on inverters.
- Added building insurance costs eg £600 pa for a 30kWp unit on a grain stall roof).
- Cleaning and maintenance costs.
- Interest on loans and overdrafts.

The investment will return 10- 11% pa over the 25 year life of panels and FITS.

A useful link for estimating the solar potential of a roof or area of land is <http://re.jrc.ec.europa.eu/pvgis/apps4/pvest.php>. Contact Edward Gosling at edwardgosling@fcgagric.com for an independent assessment using a specially designed spreadsheet to work out the true costs.

**Launch of low sulphur gas oil – are you prepared? - Huw Thomas (Carmarthen)**

From 1st January 2011 fuel suppliers and distributors will meet the need for low sulphur gas oil (red diesel) as prescribed by the latest environmental targets set out by the Government. All gas oil for use in off road machinery and recreational water borne craft will need to contain less than 10 milligrams of sulphur per kilogram of fuel (current level 1000 mgs/kg) making gas oil virtually sulphur free. Some difficulties are anticipated with the new fuel in the short term, however there are numerous measures that need to be undertaken to avoid problems in the long term; probably the most important step would be to fit good quality filters on all storage tanks and outlets, as well as ensuring that they have water traps included in them to catch any condensation. More details can be found on the following web link.

<http://blog.rpm-fuels.co.uk/news/2010/5/2/changes-to-gas-oil-red-diesel-sulphur-content.html>.

Contact Huw Thomas at huwthomas@fcgagric.com for more information.

**How do you look at your Business? – Gerard Finnan (Sherborne)**

'A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty' - Sir Winston Churchill. In a declining, depressed agricultural industry in the past, have you seen and taken the opportunities? We have clients who have been very positive and focused and are achieving their objectives. These achievements include setting up successful diversified businesses from nothing, to ex herdsmen owning their own dairy farms, to businesses becoming debt free within a set time frame, to farms increasing profit to employ extra help to milk cows or maybe have a secretary for a day a month to take the pressure off the office work. These clients have very clear business and personal objectives which they share with family, staff and third party professionals and they ensure everyone is working as a team to achieve those objectives. They have a written plan of action which is regularly monitored to ensure the objectives set are achieved. Make it your New Year resolution and **contact Gerard Finnan** at gerardfinnan@fcgagric.com to help you put your written plan in place.

Legal Expenses Insurance - Charles Holt (Lincoln)

Do you have legal expenses insurance? Anyone who has been involved in a legal case knows the cost of lawyers' fees, and is probably covered. I have just finished using my insurance on one case we started in 2003 – and we finally got paid out in mid 2010 (several tens of £'000s). This was clearly worthwhile, even though we have not got back all we lost. But without our legal insurance we would not have been able to pursue the very expensive case and so would have received nothing. I have just instructed lawyers again in a much smaller case, but it is one that I probably would not have started if we had not got that insurance. A tenant has walked out of a commercial lease, with no notice. Luckily we re-let it quickly, but there is still a loss. Make sure you are covered!

For more information contact Charles Holt at charlesholt@fcgagric.com.

**'You were right!' - Gerard Finnan (Sherborne)**

Sometimes consultants do get it right! The above statement was made by a client to me at our meeting in early December. My client was referring to rearing his Holstein calves outdoors this autumn. After 12 months of seeing other farmers doing it and discussing it, with his son's persuasion, they purchased a trailed milk feeder to feed 30 August/September born calves from birth outside on grass with some shelter. These calves are still out now in the snow, weaned off milk and are the healthiest animals on the farm according to the farmer.

All other cattle on the farm have been housed since November. This is reassuring feedback for a consultant, especially when the change advocated challenges the norm! Why are you not doing the same to cut labour, housing, vet & medicine and feed costs? Unfortunately no one has a commercial interest in such a system as it cuts costs, not increases them! **Contact Gerard Finnan** at gerardfinnan@fcgagric.com who can pass on the farmers contact details for more information.



Cow Condition Scoring - A simple way of monitoring changes in energy status and fat mobilisation and body weight change in dairy cows—Max Sealy (Chippenham)

Monitoring condition score can give herd managers a great deal of information on what has happened to cows and the management of body condition score is essential in maintaining healthy cows and good fertility. A simple regime of recording condition score, drying off and calving at time of first service will give a great deal of information as to what is happening to the cows over this critical transition period. It does not need to be a complicated process and the following link gives a simple guide to the visual aspects of condition score that herd owners need to be looking for when making these assessments:

http://www.fcgagric.com/documents/The_Body_Condition_Scoring_System_Recommended_by_DEFRA.pdf.

It is not so much the actual score that should be looked at, but any change, which can then be related to management factors such as nutrition, housing and grazing etc.

For more information contact Max Sealy at maxsealy@fcgagric.com.

How Does Your Business Compare?- James More (Louth)

	Average Business	Your Business
Agricultural Turnover (Incl SPS, ELS, Excl Non Fm Income)	100%	
Less: Variable Costs	30%	
Equals: Gross Margin	70%	
Less: Labour & Machinery	34%	
Less: Property Costs	6%	
Equals: Pre Rent & Finance Surplus	30%	
Less: Rent & Finance	15%	
Equals: Profit	15%	

Income and expenditure data expressed on a per hectare basis is of limited use where you need to compare yourself with businesses of different intensity and enterprise mix. A useful comparison tool is to consider your "costs as a percentage of turnover".

As a starting point farming businesses should consider the figures in the table below. This simple check on your own business will help identify its strengths and weaknesses and allow you to focus on the areas where improvement is needed. How do you compare? If you need help in calculating your percentages or interpreting the results, contact James More at jamesmore@fcgagric.com.

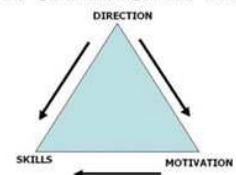
Staff Management and Motivation –Chris White (Andover)

An annual staff appraisal is an important tool for helping manage and motivate the labour force. The purpose of the appraisal is to review the previous year's work and to set objectives for the coming year. Objectives should be based upon areas in the business where improvements need to be made and on areas that are mainly in control of the person being appraised. For example the objectives might be to improve the somatic cell of the herd, reduce veterinary costs, or improve the quality of grazed grass.

The appraisal process gives the opportunity to achieve the jointly agreed objectives. If they are achieved, then this may be directly linked to the pay review. The employee will only gain greater financial rewards once the business has already benefited. This should motivate and add interest to the employee's job. The employee will also realise which parts of the job they are good at and where improvements can be made.

For more information contact Chris White at chriswhite@fcgagric.com.

PERFORMANCE AT WORK



The Farm Consultancy Group

Distributed throughout England & Wales, FCG exists to help rural businesses prosper. Each of our ten offices can offer a variety of Farm Consultancy services, some general and some very specific. Whichever office you approach, you will find an enthusiastic and professional response to your enquiry. To visit our website please click on the link below.

www.fcgagric.com

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Disclaimer: Whilst every care is taken to provide accurate information, no liability can be accepted for any omission or inaccuracy of fact or opinion. These comments are for general guidance only. For specific recommendations consult the signposted consultant.