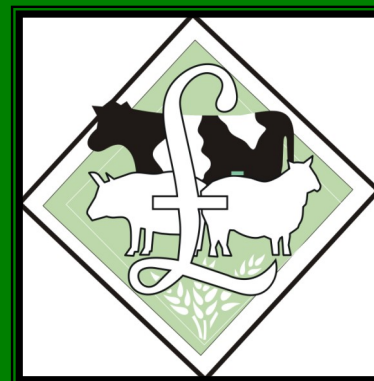


November 2011

The FARM CONSULTANCY Group

FCG Business Briefing

Issue 25



Welcome to our eleventh issue of 2011. Our article contributors have once again provided challenging, timely and informative management tips over the next four pages. Please contact them direct with the email address at the end of each article. Also check out our updated website at www.fcgagric.com. There are further news articles and tips here, updated regularly. **For feedback or comments contact Gerard Finnan at gerardfinnan@fcgagric.com.**

Outlook for Organic Dairy Farmers - William Waterfield (Andover)

Whilst the conventional milk price has risen significantly over the last 6 months, the organic price has struggled to keep up as the market for organic milk has been under sustained pressure. However, there may be some relief in sight. At last, it seems that the export drive from OMSCo and others is resulting in putting the organic supplies for UK processors under pressure and this should now be reason alone for an increase in milk price.



At the same time we are seeing the best ever organic grass silages across a range of farms. In many cases, the energy levels are up to 1 MJ higher than the average over the last few years. The late summer rains mean that whist silage stocks are tight most businesses now have sufficient silage for the milking herd. Deregulations should be available for youngstock and followers. The organic cereal market is considerably weaker than last year as Russia and Ukraine start to export cereals again, meaning that the outlook for concentrate prices going forward is likely to be downward. It appears that with the possibility of using less concentrate than in previous years and with these concentrates coming down in price, then any milk price rise might return the sector to a level of profitability, not seen for a number of years.

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

Another Planning Success - Charles Holt (Lincoln)

I am delighted to be able to announce that we have managed to help a client obtain retrospective planning permission for a temporary dwelling on an ex-dairy farm. The farm was bought from a receiver after the previous dairy farmer had gone to the wall. The timber chalet occupied by a farm worker had no permission, so the application was to retain it. It was a complicated case, and it has had to be presented carefully to explain exactly why it is justifiable to the local Council.

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

Coping With the After Effects of a Dry Year - Ian Browne (Stafford)

For those in very dry conditions where the muck has dried out solid in the field, it may pay to chain harrow now to allow the manure to break up and start rotting down / gaining "bug activity" to help incorporate it into the soils. On some farms, which have still had no rain of consequence (< 6" in six months) the potential for some grassland to become very patchy is considerable.

By breaking up the cap of muck, grass shoots will have some chance of emerging again. You may be more focused on sorting out enough feed for the winter period, but don't neglect your greatest resource now, as this will be even more important to your business in 2012. **Contact Ian at ianbrowne@fcgagric.com for further advice.**

Inside this issue:

Milk Contracts	2
R4F Update	2
Euro Exchange Rate	3
Parlour Feeders	3
Grazing Out Autumn Swards	4
Cattle Winter Rearing Costs	4

The Farm Consultancy Group

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Milk Contracts - Charles Holt (Lincoln)

One issue that has been hotly debated by dairy farmers of late is that of contracts. The EU proposes that all organisations buying milk from a farm will have to collect it in accordance with a written contract. However, the measure is set to be “temporary”, and subject to review. Under Article 104 of the proposed regulation, it states that: “the contract shall:



- A. be concluded in advance of the delivery
- B. be made in writing
- C. include, in particular, the following elements:
 - ◆ the price payable for the delivery, which shall: be static and be set out in the contract and/or vary only on factors which are set out in the contract, the volume delivered and the quality or composition of the raw milk delivered.
 - ◆ the volume which may and/or shall be delivered and the timing of deliveries, and
 - ◆ the duration of the contract, which may include an indefinite duration with termination clauses.”

Interestingly, the proposed regulation insists that “all elements of contractsshall be freely negotiated between the parties”. Will this stop all bullying tactics from the dairy companies? Answers on a postcard.....I suspect that Defra will not be keen on this aspect of the proposed legislation, as they have rejected the EFRA committee’s call for contracts which specify milk price, volume and contract duration, according to DairyCo. These seem like the most basic of requirements in a contract. **For more information contact Charles at charlesholt@fcgagric.com.**

Having Your Cake and Eating It! - Gerard Finnan (Sherborne)



Reducing your herd vet and medicine bill and increasing cow longevity at the same time seems impossible, but dairy farmers are achieving this simultaneously on different production systems. Gavin Fowler, from North Devon who has just won the FW Dairy Farmer of the Year competition has reduced vet & medicine costs to 0.5ppl on a block Autumn calved 7500 litre herd. We have clients who are getting similar results consistently on 6000L block spring calved herds. What are they doing that the average 1.3ppl national average vet & medicine bill farmer is not doing? They block calve in a maximum three month period. They crossbreed their herd two or three ways.

They select the most fertile dams of future replacements by breeding to dairy bulls for six weeks maximum, thus reducing fertility problems in future years. Mastitis, feet and fertility are three of the bigger veterinary issues which dairy farmers are treating or trying to prevent. Crossbreeding and block calving are key to reducing these problems. This is a longer term sustainable solution, not a quick fix. Longer term the biggest upside is that less herd replacements are required to maintain the herd. These herds have a consistent 15% replacement rate vs a national average of 25%, resulting in surplus heifer sales of 1.5ppl compared to the average herd. Contact your local FCG office today to discuss how we can help your herd achieve consistent low replacement rates and low vet and medicine cost or **contact Gerard at gerardfinnan@fcgagric.com.**

Resource Efficiency for Farms (R4F) - George Drewett (Chippenham)



The European Agricultural Fund for Rural Development: Europe investing in rural areas

The Chippenham office has now completed 45 Resource Efficiency for Farms (R4F) action plans within the South West. The Action Plan is 100% funded through the Rural Development Programme for England (RDPE) and includes more detailed technical information on resource use on farms. The plan will contain a recommended list of actions, repairs or investments which, if implemented, should lead to increased production efficiency or reduced costs for running the business.

The investment will be ranked in order of priority, in terms of economic return or business need. Funding has been available at 40% on a number of capital items including – rainwater storage tanks, variable speed motors and heat recovery devices. This capital grant scheme has now closed and a similar scheme will be re-opening prior to the winter. If you have not yet had an R4F completed on your farm, and you are based in the South West, please feel free to contact your local FCG office and request this free service prior to the new capital grant scheme opening or **contact George at georgedrewett@fcgagric.com.**



Are your Feeders Accurate? - Phil Cooper (Sherborne)



Parlour feeders both in and outside will lose their accuracy over time. It is important to calibrate them regularly to ensure the cows are being fed what you think they should be. With winter housing approaching this is increasingly important and concentrate usage tends to increase. Couple this with higher feed prices and it is well worth spending your valuable time checking the feeders. A feeder that is 10% out could over feed 5 kgs and 6.5 kgs of feed per day, or 2 tonnes of feed over a year, equating to £400 per feeder. On a parlour with 20 feeders this is £8,000 wasted feed.

If the parlour was under feeding by the same amount this could lead to a loss in milk of 4400 litres per feeder or £1,188 of milk sales per feeder. On a parlour with 20 feeders this equates to £15,760 of lost milk sales after savings in feed costs. It pays to check them regularly!

Contact Phil at pcooper@fcgagric.com for further advice.

Euro Exchange Rate Set for 2011 SPS Payments - James More (Louth)

The European Central Bank has released the Euro exchange rate that will be used for calculating the SPS 2011 payments. It will be 86.665 pence per Euro. Applicants who selected "payment in Sterling" on their 2011 SPS claim form will have their Euro payments converted into Sterling at this rate. If Applicants selected "payment in Euros" their payment will be made in Euros into a Euro account for conversion into Sterling, by the applicant, at the prevailing rate at the time of conversion. The 2011 exchange rate is the second highest rate set since the start of the SPS system: -

2010 scheme year 85.995pp€
2009 scheme year 90.930pp€
2008 scheme year 79.030pp€
2007 scheme year 69.680pp€
2006 scheme year 67.770pp€
2005 scheme year 68.195pp€

The payment window for the 2011 SPS is 1 December 2011 to 30 June 2012. The RPA anticipate paying over 85% of applicants by the end of 2011.

For more information contact James at jamesmore@fcgagric.com.



Working Capital Finance - Max Sealy (Chippenham)

The cost of inputs on farms have risen sharply, particularly fertiliser and feed. This has put some short term pressure on many business cashflows, as the overall level of expense has risen and therefore the monthly bills are bigger. Despite there being bigger incomes from dairy, arable and beef farming, nonetheless with the costs rising, it is necessary to ensure the business has sufficient working capital to finance its ongoing requirements. It is important not to use the business overdraft to finance long term capital projects as this ties up short term working capital and leads to hardcore overdraft debt, which is often expensive both in terms of margins and annual arrangement fees (paying a fee every year to rearrange the same level of borrowing is a very expensive way of financing that borrowing).

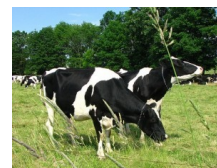
Now is a good time to look at cashflow requirements for the next 12 months, particularly with large fertiliser bills having to be paid over the next few months. Grain sales and Single Farm Payment receipts will help, and often large chunks of income can be used to fund capital projects, such as machinery replacement. The alternative is to use loan funding, whether that is in the form of bank funding or Hire Purchase loans. There are some very competitive fixed rate deals at the moment and of course, with base rates looking set to remain low for the foreseeable future, variable rate borrowing represents very little risk for many of our clients businesses. Talk to your FCG consultant now about producing a cashflow forecast alongside your annual budget and look at the situation for your own business. With profits rising it is also worth bearing in mind future tax liability as this will have an effect on medium term cashflow.

Contact Max at maxsealy@fcgagric.com or contact your local FCG office.



**Grazing out Swards Tightly after a Dry Summer/Autumn - Ian Browne (Stafford)**

Putting grass to bed this season in the dry parts of the country will be difficult, as grass is not being grazed effectively. The grass has three leaves but is unpalatable, probably due to the high nutrient uptake in the plants. This has potentially made the grass bitter and there is a reluctance to graze it down. However, if it is not eaten down, the plant is not improving its growth rates (having been growing slowly for weeks now). It may be necessary to block graze the grass with dry cows or heifers to at least eat it off. You will need to keep the stocking rate extremely tight and move the animals on daily. In calf heifers will need no more than 130 meters square per day to achieve their allocation (graze off 750 kg DM / ha where you supply 10 kg DM / animal equates to 75 head / ha / day). When block grazing in these dry conditions, be sure that water is available to the stock and consider having a movable trough on a long pipe to move around the field as you divide it up. Applying ground Cheshire/Cleveland rock salt at 50kg/acre is an alternative especially where block grazing is not an applicable policy for high yielding cows. Contact Ian at ianbrowne@fcgagric.com for further advice.

**What is your Rearing Cost per Kg Liveweight Gain? - Patrick Godwin (Sherborne)**

The cattle are in and you're feeding them what you did last year. A common scenario. When you got to the end of last winter were you pleased with how last years bunch had done? How well had they done? How much had it cost over the winter? How fast did they grow? Did they earn their keep? If you can't answer these questions with any degree of honesty then unless you change things, exactly the same will happen this year. Follow these simple steps to try and bring some profitability back to your business.

Decide what you want the stock to achieve over the winter. Formulate a diet that meets the need, taking account of feed costs and the value of liveweight gained as the yardsticks. Weigh the stock at yarding and monthly thereafter. Are they growing as you planned? If not, find out why. It is possible to have a profitable beef enterprise but it won't happen by accident. Plan a strategy, measure progress and change things if it's going wrong.

Contact Patrick at patrickgodwin@fcgagric.com or your local FCG consultant to discuss.

Web Links to other articles include....**Wanted Combines for Sale - James More**

If you have a New Holland large straw walker; or rotary combine; or a Claas rotary combine...

Read more at <http://www.fcgagric.com/news/20111101wantedcombinesforsales.htm>

Making your Pension Fund Work for your Business - William Waterfield

Tying money up in a poor performing pension fund is something that many farmers are reluctant....

Read more at <http://www.fcgagric.com/news/20111101makingyourpensionfundwork.htm>

EU CAP Reform - Charles Holt

The EU Commission published its proposals for the next CAP reform on 12th October....

Read more at <http://www.fcgagric.com/news/20111101eucapreform.htm>

When Domestic Kerosene Supplies are Standard VAT Rated? - Gerard Finnan

Supplies of not more than 2,300 litres of fuel oil, gas oil or kerosene are subject to the reduced....

Read more at <http://www.fcgagric.com/news/20111101whendomestickerosenesupplies.htm>

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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