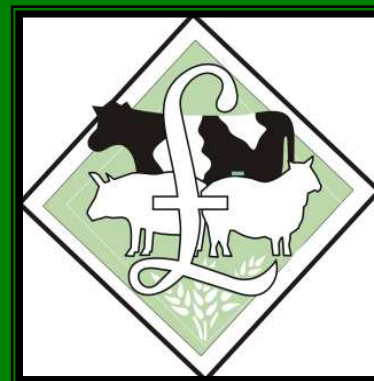


October 2010

The FARM CONSULTANCY Group

## FCG Business Briefing

Issue 12



Welcome to the 12th issue of FCG Business Briefing. Once again our consultants have contributed articles/tips to this issue which are topical and timely for you and your business to keep up to date. By reading and taking action you are ensuring your business remains competitive and profitable in today's economic climate. Contact the individual consultant or your local FCG office by email/phone for more information about the specific topics mentioned. If you have any queries or comments email **Gerard Finnan** at [gerardfinnan@fcgagric.com](mailto:gerardfinnan@fcgagric.com).

### Agricultural Labour: A New Era - Max Sealy (Chippenham)

Abolition of the Agricultural Wages Board (AWB) will put the onus on farming businesses to have their labour management in order. The AWB rates have allowed farmers and their workers to be divorced from the labour market in real terms by applying rigid pay rates and conditions for work done up until now. In most other industries (including our own consultancy business) it's necessary to set salaries and working conditions on an individual or job related basis.

Key areas for business owners to look at are as follows:-

- Contracts of employment - Do all staff have one? Do they relate to the current position that they hold?
- Job description – This is a useful reference and basis for discussion and review.
- Annual or bi-annual appraisals – This is the most effective way of linking job performance to wages, particularly as more businesses move towards salaries and setting of pay on an individual basis.
- People Management Training – Many farming businesses could benefit from training, which is readily available. Your FCG consultant can point you in the right direction.

As ever with change it will only be beneficial to your business in the long term if employers and employees work together using all of the above key areas to ensure good working relations are developed.

For more information contact Max Sealy at [maxsealy@fcgagric.com](mailto:maxsealy@fcgagric.com).



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### Maize Quality 2010 - James Shenton (Sherborne)

Whilst maize crops this year may not be record yielding, the cob to plant ratio will be high, combined with good ripening conditions. Higher starch levels are being recorded for this year's crop. Review your diets and consider whether the amount of cereals you feed in the diet needs to be reduced either as a straight in the form of cereal, or in your compound feed.



This will be particularly important to those of you who are feeding whole crop as this is analysing out with high starch levels. Starch and sugar levels above 25% in the dry matter of a ration need to be fed with caution.

For more information please contact James Shenton at [jamesshenton@fcgagric.com](mailto:jamesshenton@fcgagric.com).

The Farm Consultancy Group

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**How can one achieve good herd health and a low level of veterinary costs? – Chris White (Andover)**

Farmers and advisers are often very apprehensive about trying to reduce or maintain veterinary costs as this can be misinterpreted by some as being negative and against herd health. In order to resolve this issue:-

- Try to concentrate on curing the **primary** causes of health problems rather than just spending on continually treating them. For example, with mastitis control it may be preferential to spend more on keeping cows clean and using less drugs. Planning tools such as Dairy Co Mastitis Plan or NMR Herdwise program for Johne's disease can also help.
- Meet with your vet and consultant to discuss each year how they might suggest the best way of achieving the objectives of improving herd health while at the same time containing or reducing veterinary costs in the forthcoming year. Discuss how your costs compare with other groups of farmers on similar management systems. Try and break down how much money is being spent on fertility, mastitis and lameness. This should help you prioritise your efforts.
- Involve the herds person/herds manager in the process of agreeing the total veterinary budget for the year so that ownership of the farm policy is accepted by all.
- In any year different veterinary issues or problems will often occur. Therefore if the budget is based on a typical year it should be sufficient to deal with most eventualities. Try to maintain costs during the year within budget and in consultation with your vet and look at different drug options or practices that can be more cost effective.
- Make sure everyone responsible for the dairy unit are kept up to date with the actual total cumulative or 12 month rolling veterinary costs.



More involvement and discussion with all those responsible for running the dairy unit should lead to more long term remedies being implemented and better herd health. Speak to your local FCG office about what your veterinary cost per litre should be for your herd.

For more information contact Chris White at [chriswhite@fcgagric.com](mailto:chriswhite@fcgagric.com).

**Young Entrants Support Scheme (YESS) Success - Huw Thomas (Carmarthen)**

The Welsh Assembly Government has announced that a new application window for the YESS Scheme will open between the 18<sup>th</sup> of October and the 20<sup>th</sup> of December 2010. During the last application window in the spring of 2010 we applied on behalf of 10 clients; all of which were awarded the full amount of grant requested.

The scheme provides assistance to facilitate the establishment of young farmers (under 40) who can demonstrate that they possess adequate skills and competence and are setting-up or who have set-up as head of the holding for the first time within the previous 12 months. A one off grant payment (50% grant up to £15,000) for capital investment for expenses incurred when the young entrant is setting-up as head of holding for the first time is awarded to successful applicants.

Access to a dedicated Young Entrants' Business Enabler Service which will advise on training, knowledge transfer and joint venture opportunities as well as matching young entrants with appropriate established farmers who wish to explore different working patterns e.g. share farming, joint ventures etc, and access to funded mentoring services from established farmers.

See weblink <http://wales.gov.uk/topics/environmentcountryside/farmingandcountryside/farming/youngentrantsupportschemeyess/?lang=en> or email Huw Thomas at [huwthomas@fcgagric.com](mailto:huwthomas@fcgagric.com) for more information.





## Forage Shortage—James Shenton (Sherborne)

Forage production has varied tremendously from region to region with the south of the country particularly below the M4 having produced less forage than in the last few years. This production shortfall allied to the fact that buffer stocks were used up during July and August, has led many farmers to raise concerns regarding stocks resulting in some high prices at auction for standing Maize.

Some of these fears are perhaps unfounded. Do you know how much forage you actually need? And crucially how much you have in stock? We regularly ask farmers how much is in a clamp and after we have measured accurately they are often up to 20% out. The dry matter of silage has a huge bearing on how much forage you have to feed and, how long it will last. It will not affect how full the clamp looks to the same degree.

1. Review forage stocks when the maize is in the pit.
2. Calculate forage requirements.
3. Do you have enough forage for the winter? If yes, but not enough to cover buffer feeding next summer, your immediate problems are reduced. Buying expensive forage as a bulk replacer at the top of the market will not be cost effective.

Now is the time to plan for addressing the shortage in buffer next summer. Possible options include reseeding; more keep, applying more fertiliser, and buying forage when the market will be lower next spring.



For more information please contact James Shenton at [jamesshenton@fcgagric.com](mailto:jamesshenton@fcgagric.com).

## Where Now For The Organic Milk Price? - William Waterfield (Andover)



After 2 years of depressed milk prices organic farmers might be justified in thinking that their price will follow the rises in the conventional prices seen in the last few months. However, indications from the market place suggest that it is probably too early to be certain about a meaningful increase in price. Organic milk supply is down 3.3% over the year and demand is expected to increase by 1-2%, giving some reasons for optimism.

Organic liquid milk sales account for 58% of the organic milk market, with yogurt accounting for 17%. Growth in these two categories seems to have returned in the last few months on the back of television advertising and supermarket promotions. The cheese market, which accounts for a mere 11% of the organic milk sold, has been under intense pressure as supermarkets move to more own-label cheese at reduced values. They have also reduced the overall shelf space available to the organic sector. With many organic dairy farms struggling for winter forage after the mid season drought and concentrate prices on the rise (on the back of the Russian export ban) a difficult winter is in prospect for many organic dairy producers.

For more information contact William Waterfield at [w.waterfield@fcgagric.com](mailto:w.waterfield@fcgagric.com).

## Bank Interest Rates: Fix Now ? – Charles Holt (Lincoln)

If you talk to your bank manager he or she will most likely suggest that fixing your rate now is generally regarded as a good idea. You would typically be able to fix for some years ahead at 4 to 5%, plus a fee to set it up. FCG had a meeting recently where an accountant said that he disagreed. This is surprising, as usually accountants are risk-averse. The accountant looked at scenarios over a 20 year loan, making various assumptions about interest rate rises. The world economy is very much in an era of low interest rates, and certainly they will remain low for the next few years, he said. Maybe the base rate will not stay at 0.5%, but it will be low in a historical context.

So the accountant was advocating clients should remain on variable rate loans. There are of course middle ways, as none of us knows the future. Consider caps, collars, and of course the simpler method of fixing half your borrowing, and keeping the other half on a variable rate. If you hedge your rate like this, you cannot get it all wrong.

For more information contact Charles Holt at [charlesholt@fcgagric.com](mailto:charlesholt@fcgagric.com).



### 2010 Single Farm Payment Exchange Rate Fixed—James More (Louth)

Year	£ PER Euro rate
2005	0.68195
2006	0.67770
2007	0.69680
2008	0.79030
2009	0.90930
2010	0.85995

The Exchange rate from Euros to Sterling for the 2010 SPS payment has been fixed. See table. For 2010 the Regional Average Payment (RAP) element has increased from 60% of the payment to 75%, so increasing the Euro payment for Flat Rate Entitlements from 190.47 to approx 240. At the fixed exchange rate this equates to £206.39/ha. After modulation of 19% the net 2010 Flat Rate payment will be around £167.00/ha (£67.60/ac). For 2010 the Historic element of the SFP has reduced from 40% in 2009 to 25%. In 2009 an Entitlement established with a full arable historic value had a gross value of around 330 Euros. For 2010 this will be around 327 Euros. At the now set exchange rate this equates to £281.00/ha (£300/ha in 2009). After modulation of 19% the net 2010 Arable Historic payment will be around £228/ha (£92.30/ac) (£243/ha in 2009 (£98.40/ac)).



The 2010 Protein supplement for dried peas and beans will be £38.71/ha (£15.66/ac) after modulation. RPA are urging any applicants who have not supplied current Bank Account details to do so immediately to avoid delays in payment. This includes farmers who have opted to take payment in Euros who must supply RPA with details of a UK based Euro account. 2010 SPS payments will start to be made from the 1 December. RPA aim to pay 85% of claims by the end of 2010.

For more information please contact James More at [jamesmore@fcgagric.com](mailto:jamesmore@fcgagric.com).

### Ensure that You Are Insured! - Kevin Edwards (Gloucester)

Farm insurance can be a very dry and turgid topic, disappointingly however it is an increasingly high overhead cost that the business has to bear. Here are some important points to consider in this litigious time.

- Any driver over 14 is able to drive farm machinery on their own land, but they are not covered at this age if they damage any third party property.
- Once tractor drivers start to drive on the road at 16 they still have no insurance cover unless they take a tractor licence. Once this has been achieved they are then covered for third party damage.
- If any person drives a farm wagon or a farm vehicle for example a pick up and are involved in an accident without an MOT they still have cover for third party damage but are not covered themselves for their own damage caused.
- If staff are self employed the business still needs employers liability. In essence the overall wage bill the business incurs albeit for employed or self employed people needs to be included in the total wages paid declared, which obviously affects the employers liability premium.
- If a farmer has diversified into an alternative enterprise, for example a caravan park, farm shop, contracting business etc. he needs to have a separate employer's liability for each enterprise to comply.



It may well be cost effective to carry out a thorough review of your business. I have a client near Leominster whose house was incorrectly insured by a major national insurance company, which had it not been corrected would have left him with a potential £700,000 liability issue. Therefore the benefit of a full third party review of your insurance may well be very timely and cost effective.

For more information please contact Kevin Edwards at [kevinedwards@fcgagric.com](mailto:kevinedwards@fcgagric.com).

#### The Farm Consultancy Group

Distributed throughout England & Wales, FCG exists to help rural businesses prosper. Each of our nine 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](http://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.*