

## **Is Less More? – It could be**

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Every farm is different. Even with geographical neighbours, each has different circumstances be that resources and infrastructure; family aspirations, skills and labour availability; buildings; machinery; grazing availability and rights; access to markets; and boundaries defined by landlords, government, environment and stewardship schemes.

Crucial is understanding your farm business. Being willing to consider change and innovation, and critically evaluating your farm's and your peoples' strengths and weaknesses so you can take your farm business forward for the future.

However, in that paragraph there are some key challenges that many farmers cannot answer. What is your Cost of Production (COP) for each product you produce? That includes anything you grow and then use on the farm (e.g. feed barley) because if you don't know what it costs to produce how do you know whether it would be cheaper to buy it in or look at things differently and not rely on some inputs at all? Knowing your cost of production and collecting essential data for you to base your decisions on is the basis of good business management.

On many beef and sheep farms there is the risk of always doing what you, parents or grandparents have always done. Challenging yourself can lead to changes, sometimes small ones and sometimes big ones but all the time paying attention to the detail and its impact on your farm and your profitability. Understanding what benefit to profitability each additional cost brings, allows you to identify which costs have the greatest impact and whether they lead to more or less profit.

If you can rear 1.4 lambs per ewe lambing outside on grass, is there a reason to house for 8 weeks and lamb indoors with all the additional associated costs and still rear 1.4 lambs per ewe? I realise this is simplistic as so much depends on breed, genetics, year and management but there are examples of farmers who have changed their breed, improved their genetics and their management to produce more from the same or less. There are also examples of farmers pouring money into purchased variable costs and overheads that have brought no additional profit because the costs have been equal to or higher than the additional output and income.

Ask yourself, if you don't have the resources or land quality capable of beef finishing in a reasonable time period do you aim for a niche market for older cattle or sell your calves at weaning or as yearling stores to someone else to finish at a lower cost and shorter timescale than you can?

Start by considering what your farm resources, particularly the land, is capable of producing with no bought in inputs (e.g. fertiliser) and what minimum overheads (e.g. machinery, buildings) you need to achieve this. What output would be possible? What would be your cost of production and margin based on current market prices? Can you add value and achieve a better return for no or little additional cost? If you have to keep cattle or lambs for longer will you restrict your breeding female population and/or not meet market specifications.

By understanding your cost of production, your resources and your markets you can identify the different options and the best way forward for your farm business.

Grass is one word but covers such a wide-ranging adaptable resource found at the top of a mountain at the seaside and everywhere in between. Knowing what grass is capable of is a far-reaching topic discussed the world over but often with common solutions in different countries.

Research and farmer demonstrations have shown that most farmers will not be making the best use of their cheapest feed – grass and other forages such as legumes. Farmers in Australia, New Zealand, Namibia, China, Colombia, Ireland, Canada, and many other countries are all practising rotational grazing and finding that they can produce so much more beef, lamb and milk from the same area with a positive effect on their profitability and the environment. Even in countries experiencing droughts, such as Namibia and Australia, rotational grazing has limited the rate of destocking and maximised output whilst helping to improve soils. Chinese farmers in Outer Mongolia have reduced stocking rates and reliance on purchased inputs, improved their environmental impact and, as a result, increased net income. Colombia has increased production five-fold by introducing silvo-pastures (grasses with trees) and rotational grazing to improve soil structure and increase wildlife. Temperate countries such as Ireland, New Zealand and Canada have also found that the environment, soils and their profitability has improved by making the most of their cheapest resource.

Of course, additional skills and structure changes are sometimes required to introduce rotational grazing but these are often cheaper than buying in feed or fertiliser, or will help target what is needed and when. An early step has to be to soil test every field you graze to establish the pH and mineral levels. Without them being at optimum levels, grass and other crops cannot grow to their potential.

So you know what your basic resources can produce and at what cost. You then consider every additional cost and its worth. The elephant in the room is often a farmer's love of machinery, but do you need it? Can you afford the running costs and depreciation of something that stands in the yard for 10 months of the year? Could you do things differently such as hiring in when needed? What about using contractors? Can you share and work machinery with neighbours?

What about all those other overheads? Overheads as a group (as opposed to variable costs) are the biggest part of cost of production. Looking at data from farms receiving the same price for their outputs, there is a significant difference between the percentage of output spent on overheads by those making the most profit and those making a loss and it is rarely related to farm or enterprise size. So please scrutinise each and every overhead. Each should justify their existence and expense. Shop around. There are price comparison opportunities – get the computer geeks in the family onto it right away.

Managing costs and optimising output is also dependent on understanding the market you are aiming for. Is that adding value where possible or selling into the main commodity market.

'Added value' can be a tremendous success for some but consider the additional costs and whether they are worth the potential additional return. You may be in a position to easily convert to organic, sell direct to local consumers, sell breeding stock or be part of a marketing scheme for particular breeds. Identify any additional costs: slaughtering and butchering costs, the need to provide cold store facilities, the additional time involved finding customers each year, marketing time and costs. Do you like meeting and dealing with the public? Does a particular person in your farming business have those skills?

Niche markets can be tremendous but are dependent on supply and demand. Many high value customers may also be the first to reduce meat consumption if they think it beneficial to their health or the environment and, as a result, the customer base may need increasing each year just to sell the same amount of product. It is also likely that a proportion of your output will end up selling into the

commodity market at a lower price. It is better to assume that this will happen to a certain extent than assume you will always attract a premium price for everything you sell.

Ultimately, you need to understand your farm business and where you want to be next year and in 5, 10 and 20 years' time. Start planning now. Discuss with the people in your business and set goals. Write down any associated costs, how you will achieve what you want to do and where you want to be at stages along the way. Review this at least once a year.

If there was one magic silver bullet I would happily tell you but there is usually more than one farming solution and yours has to be your solution for your future.

However, we at AHDB are here to help with lots of information, events, tools and skill training. Please visit the AHDB website.

As a starter, why not listen to a webinar by a Northumberland farming family with sucklers, sheep, finishers and other enterprises who found that making significant changes to their farming business was their solution for a more sustainable future. [https://www.youtube.com/watch?v=ZsAm5JJ\\_xOo](https://www.youtube.com/watch?v=ZsAm5JJ_xOo)