

# Basingstoke Monitor Farm meeting report

Meeting 9: Collaboration Ventures

Date: 16 January 2019

Speakers: Gary Markham (Churchgates Land Family Business Limited), Robert Fox (Farm Manager, Squab Hall Farm, Leamington Spa)

Location: Longmeadow Sports and Social Club, Whitchurch, RG28 7RB

For more information, visit: [cereals.ahdb.org.uk/basingstoke](https://cereals.ahdb.org.uk/basingstoke)



## Key messages

- Collaborative farming can generally be defined as working together for mutual benefit
- Identifying ways to make your business more efficient is something all farmers need to do in order to secure the future sustainability of their arable business
- Review your business costs, strategies and KPIs as these are crucial elements in helping to make beneficial future business decisions
- Making very little margin from your current production shows that your profit is very susceptible to market change
- Question your business objectives and undertake possible scenario planning: how reliant is your business on BPS, is this the crucial element?
- Benchmark your business with similar producers
- Have a succession plan in place
- Benefits of collaboration include more cost-effective purchasing, gaining additional knowledge and additional management time

## The benefits of joint ventures (JV)

- Economies of scale can spread fixed costs however, this isn't a definitive fact and depends on the type of (JV) agreement.
- JV's often brings additional skill sets allowing you more time to concentrate on the things you are good at
- Machinery syndicates can also be a way of reducing fixed costs
- JV's can help you gain additional knowledge and expertise without the need to hire additional staff together with technical and precision equipment
- Increase more cost efficient purchasing and marketing opportunities
- Enable a simpler and more beneficial system to evolve (eg a joined up approach to agronomy, cropping and storage strategies)
- More heads to resolve problems with different skill sets and knowledge
- Additional management and, possibly, free time, along with the fact you are not farming in isolation

- It is important to the success and robustness of any JV that a professional agreement is undertaken and subsequent JV meetings have minutes produced so everyone is clear on agreed decisions etc.
- It is crucial to keep staff informed, adequately trained and involved in decisions as this element is vital in the development of operational efficiency and overall business productivity.

## Is collaboration the answer? (Gary Markham)

	£/Acre	£/Acre		£/Acre	£/Acre
<b>Labour</b>					
Labour recharges	33		37		26
Management fees	7		-		-
		40		37	
					26
<b>Machinery</b>					
Depreciation	30		66		64
Spares and repairs	22		23		23
Contracting and hire	18		30		38
Fuel	17		29		22
Other machinery	7		9		9
		94		157	
<b>Labour and Machinery</b>		<b>134</b>		<b>194</b>	
					<b>155</b>
					<b>181</b>

### What are the top 25% doing?

- Independent agronomist
- Professional bookkeeper
- Machinery capital budget
- Accumulating business investment funds in a tax efficient way
- Family AGM – regular meetings
- Proactive tax planning

Thoughts from the Monitor Farm attendees regarding the biggest impact on variability of profit?

1. Weather
2. Soil type
3. Sale price
4. Currency
5. Spreading machinery costs
6. Government policy
7. Illness/death
8. Managing risks
9. Attention to detail
10. Boss/staff

Gary Markham’s experience also show that the biggest impact on profitability is centred around soft skills

1. Family communication
2. Transparency of family strategy
3. Inter personal relationships
4. Dysfunctional families which have a huge impact of the success and performance of the business

Many English farmers do not ever think of the importance of soft skills – hence the answers above – however, if this same question was asked to a group of Australian farmers they would include family communication and relationships high up in the list!

## How do we manage machinery costs?

Work out a cost effective machinery replacement strategy so you can identify and plan for core expenditure along with spreading your machinery replacement costs. Taking into account the the cost of the machine with its annual depreciation cost will certainly help you financially plan for its replacement. (Ideally, depreciation / yr = cost of replacement)

## CAPITAL BUDGET SHEET

ITEM	CURRENT AGE YEARS	YEARS							
		1	2	3	4	5	6	7	8
Total new values (A)									
Trade in values (B)									
Net change over cost (C)									
Average investment per annum				(TOTAL (C)/NUMBER OF YEARS)					

NB. Average weighted drop in value per annum – 18% (Gary Markham)

## The benefits of joint ventures (Rob Fox)

### Farm background

- Commercial, managed arable farm
- 398ha (1000ac)
- 900ac cropped
- Further 900ac in arable joint venture
- 100ac in Countryside Stewardship
- Manager and 1 full time plus harvest casuals
- 90kw solar, looking into other renewables
- Extensive diversification in national/international removals, self storage, conference room, business centre and van hire

The farming operation needed to be made more robust and resilient for the future as its current costs weren't stacking up so in 2012 Rob had to decide whether to:

1. Continue as they were
  - Over equipped
  - No income against labour
2. Re equip for 1000ac only
  - 2 x new tractors, drill, cultivator, sprayer
  - No income against Labour
3. Enter JV
  - Stretch most existing machinery
  - Charge out staff

These options were costed:

1. In 2012 with 900ac and equipment as it was:
  - £194.65/ha (new combine needed.)
2. Re-equip for 900ac with just what they needed:
  - £162.92/ha – 17% Saving
3. 2 member JV over 1500ac
  - £159.56/ha – 19% Saving
  - Income against employed labour. £5/ac?

### How the JV works now:

- 1900 acres
- 7 tractors became 4
- 3 combines became 2
- 3 seed drills became 1
- 3 fert spinners became 1
- 20 cultivators/rolls became 6
- 4 full-time staff plus 4 harvest casuals became 2 full-time staff and 2 harvest casuals

### The benefits of the joint venture are:

- Cost reduction

- Staff structure
- Timeliness of operations
- Access to new tech – Isaria – which was beneficial having had problems with Satellite VRN
- Camaraderie (which can help cover health issues)

## Find out more – Links to AHDB information sheets or research

[Preparing for change: the characteristics of top performing farms](#)

[Farmbench](#)

[Labour and machinery webinar](#)

[Succession webinar](#)

[Knowing your business and keeping the bank manager on side webinar](#)

[Livestock and the arable rotation](#)



## Next meeting

Date: 27 February 2019

Topic: Drilling in to your fixed costs to sow a profit

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