MONITOR FARM PROGRAMME



Duxford Monitor Farm Meeting Report

Meeting 3 – Farm business accounts & benchmarking

17 December 2018

Fowlmere Village Hall

For more information, visit: cereals.ahdb.org.uk/Duxford

Key take-home messages



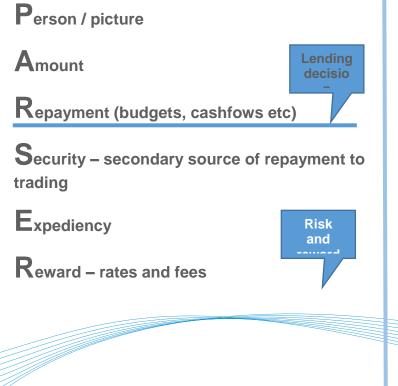
- 1. Make the most from your management accounts and ensure that cash flow and profit are looked at separately.
- 2. Calculate your businesses ratio's to assess business resilience.
- 3. Benchmark your cost of production using your levy-funded Farmbench programme and join the Duxford Arable Business Group to discuss your results locally.

Farm Business Accounts Analysis, Philip Dolbear

Using your farm business accounts to best effect is critical when talking to your bank manager, managing your tax accounts or using your own management accounts to best effect.

Bank Assessment

A bank manager, when looking at a farm business may use PARSER to make their assessment:



Proportional Analysis

An overview to identify key areas 'out of line'. The following gives a guide of the percentages to aim for from your costs:

	%
Gross Output	100
Variable costs	<u> 30 - 35</u>
Gross Margin	65 -70
Fixed costs	
Labour 15-17	
Power & Machinery 15-17	
Other overheads <u>5-6</u>	
Total Fixed Costs	<u> 35 - 40</u>
Pre Rent and Finance surplus	30 – 35
Rent and finance	15 - 17
Profit	15 - 17



Farmers Statement

You can use a farmers statement to give you the management figures required to do key accounts analysis. This statement provides an assessment of all assets and liabilities.

Net worth = ASSETS less LIABILITIES

CURRENT ASSETS: Livestock, crop, growing crops, debtors

CURRENT LIABILITIES: Liabilities due in the next 12 months, eg. tax, overdraft, creditors, next 12 months worth of HP and term loan debt.

You can then use the balance sheet to calculate the following ratios:

Ratio	Definition	Guide
External gearing %	Amount of liabilities paying interest as a proportion of net worth.	<75%
Total gearing %	Total liabilities as a proportion of net worth	<150%
Interest cover	How many times profit pre finance generated covers interest payments	2x +
Current ratio	How many times current assets cover current liabilities	1+

Profit

Profit = Sales +/- Valuation Changes; less variable costs; less overhead costs incl. depreciation.

NB. Does not include: capital items, loan repayments; debtor/creditor changes

It is important to define profit. For any farm business it is good to know what cash profit you need to generate to cover drawings tax, loan repayments and reinvestment. Ask for a Funds Flow Statement (also know as Source and Application of Funds or Cashflow Statement) from your accountant to look at cash flow and profit from your farm business.

Benchmarking

"Benchmarking is the process of comparing one's business processes and performance metrics to industry bests or best practices from other companies."

https://ahdb.org.uk/farmbench

Use AHDB's whole farm benchmarking programme – your opportunity to input your outputs and costs (fixed and variable) to calculate your cost of production (per t/per ha). Join our Duxford Arable Business Group to discuss the results. What was your cost of production for harvest 2017?

Feed Wheat - East Anglia	£ per ha
PHYSICAL SUMMARY	
Average Yield (t/ha)	10
Average price (per t)	138
Seeds	75
Nutrients	166
Chemicals	209
Total Variable Costs	462
Labour costs	133
Machinery and power	167
Property costs	62
Overheads	45
Total Fixed Costs (excl. rent and finance costs)	611
Total Cost of Production per ha (excl. rent and finance)	1073
Full investment net margin (excl. rent and finance)	336
Total Cost of Production per tonne (excl. rent and finance)	104

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Further Information

AHDB Business Planning tools: <u>https://ahdb.org.uk/business-planning</u>

Farmbench for cost of production calculations: <u>https://ahdb.org.uk/farmbench</u>

If you are interested in joining the **Duxford Arable Business Group**, please contact Teresa Meadows on 07387 015465 or <u>teresa.meadows@ahdb.org.uk</u>.

Meetings and Contact Information

Winter Meeting Dates 2018 to 2019

All meetings will start at 9am with a bacon roll at Fowlmere Village Hall, Chrishall Road, Fowlmere, Cambridgeshire, SG8 7RY.

- Friday 18 January 2019 Lessons from outside our industry
- Friday 15 February 2018 Spring cropping and the supply chain

For more information about the Duxford Monitor Farm, contact: Teresa MeadowsE: Teresa.Meadows@ahdb.org.ukM: 07387 015465Image: CerealsEA

To find out more about Farmbench, AHDB's benchmarking tool, contact: Holly HowsamE: Holly.Howsam@ahdb.org.ukM: 07767 001543