

Saltash Monitor Farm

Meeting title: Labour, power and machinery review

Date: 12 February 2020

Speakers: Rob Meadley (Brown & Co), Harry Henderson (AHDB)



Scale vs profitability, timeliness and work life balance under the microscope at Saltash Monitor Farm

A study by Rob Meadley of Brown & Co. for the AHDB Saltash Monitor Farm meeting identified machinery resources to expand but a closer examination of labour profile, available working days and consideration of 'attention to detail' left Ashley Jones, Monitor Farmer wondering whether 'less is more'.

The Jones' Smeaton Farm is a mixed, family-run tenanted unit of the Duchy of Cornwall Estate. Farming cereals, maize, potatoes, beef, sheep, and diversification enterprises mean it is crucial all aspects of the business are run effectively and efficiently to help maximise overall profits. While focussing on the arable enterprises, it is critical to include an overview of the whole business.

The figures revealed Ashley, in theory had the capacity to take on an extra 100 hectares of arable rotation and this could reduce his costs of production per tonne by some £20-30. Also that in practice, spring barley was an expensive crop to grow compared to his winter crops. However with a reliance on family labour, stretched at peak times with other enterprises, and the implications for machinery replacement policy, the actual increase in profitability may not be that significant and indeed with the business more stretched, there was a risk of current performance not being maintained.

There was the same risk and reward conundrum from striving for higher yields with higher input levels. Ashley had entered the ADAS YEN competition for a field of wheat in harvest 2019 and while extra inputs achieved higher yield and reduced cost of production by 14% per tonne, it was a higher risk strategy that might not have paid off in a lower yielding year.

This led to consideration of whether there were other ways to increase profitability. The machinery costs looked high. However it was identified they were skewed by a high combine overhaul cost in the year. Providing the machinery replacement strategy was preserved such that the cost became spread over years, the costs would not be out of line.

'Replacement charge' rather than 'depreciation' was debated as a more relevant and real assessment of cost of machinery ownership to define strategy going forward. The value of swift and timely operations that result from carrying more than necessary machinery, the opportunity cost of capital in over-capacity kit, share ownership, hire and use of contactors all came up for discussion.

Rob Meadley highlighted that key questions to ask were "What are the long terms trends, what are the objectives, and what is the attitude to risk?"

Labour and machinery review

Total L&M Costs by Crop				
	Total	Per Ha	Per Ac	Per Tonne
Winter Wheat	16,704	687.97	278.42	76.44
Winter Wheat (YEN)	2,552	787.58	318.73	66.02
Winter Barley	14,339	778.46	315.04	131.27
Winter Oats	4,756	779.73	315.55	112.84
Spring Barley	8,851	863.49	349.45	152.02
Potatoes (Let)				
Temporary Grass	10,888	555.50	224.81	
Clover Ley	1,591	328.03	132.75	
Permanent Pasture	10,507	169.48	68.59	
Stubble Turnips	1,779	222.37	89.99	
Forage Maize	3,695	369.51	149.54	8.42
Contracting	37,196	197.85	80.07	
Livestock - Sheep	10,965			
Livestock - Beef	16,966			
Other Operations	15,539	42.84	17.34	
TOTAL	156,328			

Total L&M Costs			
	Total	Per Ha	Per Ac
Depreciation	56,927	156.94	63.51
Repairs	11,644	32.10	12.99
Interest	16,604	45.77	18.52
Insurance	3,000	8.27	3.35
Labour	34,400	94.83	38.38
Fuel	12,766	35.19	14.24
Contract/Hire	10,687	29.46	11.92
Overheads	10,300	28.39	11.49
TOTAL L&M Costs	156,328	430.97	174.41

Take-home messages

- Know and understand your costs
- Labour & Machinery usually 25% - 60% of cost of production and is something you can control / change
- Consider ownership options:
 - type – Contract Hire, Joint Venture, Shared Ownership
 - length – keep things longer – draw up a 10 year replacement plan

Further information

- [Machinery cost calculator](#)
- [Labour and machinery webinar](#)

AHDB resources

- Understand your business costs with AHDB's benchmarking tool Farmbench at ahdb.org.uk/farmbench
- Monitoring tools are available at ahdb.org.uk/tools
- Sign up to market information and research newsletters at ahdb.org.uk/keeping-in-touch
- Find out what's going on at other Monitor Farms and Strategic Farms at ahdb.org.uk/farm-excellence
- All AHDB events can be found at ahdb.org.uk/events
- For guidance on how Brexit will impact your business, see ahdb.org.uk/brexit

Contact details

For more information contact: Philip Dolbear

E: Philip.dolbear@ahdb.org.uk M: 07964 255614

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