FARM REPORT

ABOUT THIS MONITOR FARM

Farm name	**Girtridge Farm, Drybridge Road, Dundonald, Kilmarnock, KA2 9BX**
Meeting Number	**40 people in attendance**
Meeting Date	**Wednesday 18th December 2019, J F Niven Building, Auchincruive**
Next Meeting	**Friday 28th February 2020**
Report date	**Monday 3rd January 2020**

Girtridge Farm is run by the business of Messrs John Howie, a partnership consisting of John Howie, his mother Margaret and his sister Mary. The business farms a total of 140 hectares of non-LFA land and 35 hectares of LFA grassland.

Livestock

Finished Cattle: Approximately 250 finishing cattle purchased through the local market and direct off farm all year round. The aim is to sell cattle at R4L deadweight through either Stoddarts or Highland Meats.

Sheep Flock: 500 Aberfield and cross ewes put to Abermax rams. All lambs are sold finished either direct to slaughter through Farmstock or through the live market. All replacement females are purchased privately.

Cropping

Barley: 19.32 hectares spring barley and 7.70 hectares winter barley are grown. All barley and straw is used on farm.
Forage: 2 cuts of silage are taken with 7.13 hectares of hay also being produced.

KEY MESSAGES

- Farm policy in the future is likely to change.
- Knowing how each enterprise is performing can help identify areas for improvement.
- Identify where your costs are – can they be reduced.

AREAS OF DISCUSSION

- BREXIT and the potential options.
- Girtridge past financial performance.
- Girtridge future options appraisal.
- Benchmarking group performance feedback using Farmbench and comparisons to other areas.

FARMERS UPDATE

- 30 acres of winter barley (Tower) were sown 1st October 2019 and it has had a post-emergence spray.
- Sheep have had their enzovax injection to prevent enzootic abortion.
- The bought-in ewes were given zolvix for worms and triclabendazole for fluke.
- The stock ewes were treated with Levafas diamond to target rumen fluke and worms as well as a triclabendazole to target immature fluke.
- John purchased two Aberfield Select tups from Innovis to start breeding his own replacements.
- Flock size is now 507 ewes. The tups ran from 12th November to 20th December 2019 with the aim to lamb mainly outside from 8th April to 16th May 2020.
- Reseeds have been grazed, with just 29 lambs left to be sold.

- Average age of cattle sold has been 20.15 months old with a DLWG of 1.49 kg.

FACTS & FIGURES DISCUSSED

BREXIT (Speaker: Kev Bevan SAC Consulting)

The dilemma – some people want more freedom to make decisions but some people want a close trade deal with the EU; you can't have both, so what balance can be made?

With a no deal BREXIT or no free trade agreement in place by 01/01/2021 then tariffs will apply. This will hit the lamb sector particularly hard as 1/3 of UK lamb goes to the EU, with potential tariffs of 40%.

With any of the three types of BREXIT (Table 1) there will likely be a new farm policy and how this policy looks is yet to be known. The current type of policy will not stay the same and it is unlikely to go back to the old CAP. The most probable way for the new farm policy to go is to look at a new approach based on:

- Decoupled payments
- Improving productivity
- Reducing price volatility
- Paying for "public goods"
    - Enhancing the environment
    - Animal health and welfare
    - Innovation and technology transfer
    - Wider rural development

Production can be improved through a change in enterprise mix, change in business size and adopting new technologies. Collaboration along the supply chain with producers and retailers will become more and more important. The current agricultural policy will provide a good starting point for a new policy to be built upon.

Table 1 – BREXIT options

Soft Brexit	Hard BREXIT	No Deal
• Close to current "frictionless" arrangement. • Customs union. • Close regulatory alignment (level playing field). • Sharing of fisheries. • No freedom of (labour) movement. • No scope to negotiate own trade deals. • Subject to EU institutions.	• A Free Trade Agreement (FTA). • Specific to EU-UK. • Zero tariffs on goods. • Border checks (non-tariff measures [NTMs]). • Some ongoing alignment (e.g. environment). • Agree to broaden agreement over time (e.g. services).	• Trade on WTO terms from 1 January 2021. • UK's temporary tariff schedule and quotas apply (may rethink these?). • EU's tariff schedule applies (MFN rule). • Northern Ireland trade with GB? • UK free to do deals with whoever. • And set own rules and standards (in theory!). • Scottish independence?

Girtridge performance (speaker: Raymond Crerar SAC Consulting)

Raymond Crerar spoke about the financial performance of Girtridge. Table 2 shows the percentage of gross output for different costs for the years 2017-2019 as well as the target range for each category. Labour requirement has increased over the past two years as John is increasing his flock size meaning that more casual labour has been required. Power and machinery has reduced due to dilution because of increased output but still remains 4% above the target range. Property and general is also high at 18% compared to the target of 4-6%. This is because John has made adaptations and alterations to the steading, e.g. shed alterations and a new cattle handing system. Profit has increased over the three-year period but still remains 8% below the target.

Table 2 – Gross Output Analysis for Girtridge

% of GO	2017	2018	2019	Target
Gross Output	100	100	100	100
Variable Costs	39	19	35	30-40
Gross Margin	61	81	65	60-70
Labour	9	18	13	15-18
Power & Machinery	42	32	22	15-18
Property & General	22	19	18	4-6
Profit (before rent & interest)	-12	12	12	Min 30

The 2018 gross margins for the livestock enterprises were compared to the QMS average performance data.

Table 3 shows the performance of the ewes. Income is above the QMS average. John now targets lambs to dead weight and live weight markets to optimise his sale value. Feed and forage costs are lower than the QMS average as John now uses a rotational grazing system allowing him to maximise the use of his grass. Direct costs, however, are above the average meaning that the gross margin is almost the same as the average at just £0.83 higher.

Table 3 – 2018 Ewe performance

Upland Crossbred Ewes	Girtridge/ewe 2018	QMS Ave.
Income	£111.91	£104.88
Direct Costs	£40.37	£32.11
Feed and Forage Costs	£21.61	£23.67
Gross Margin	£49.93	£49.10

Table 4 shows the performance of the finishing lambs, which are lambs still on farm at the beginning of November and sold throughout the winter. Again, the income from the lambs is above the QMS average and the feed and forage costs are below the average. Direct costs are higher than QMS average as John values the lambs at £65 at the start of November when the lambs are transferred into the finishing lamb enterprise.

Table 4 – 2018 Finishing lamb performance

Finishing Lambs	Girtridge/hd 2018	QMS Ave.
Income	£78.25	£75.94
Direct Costs	£65.00	£56.38
Feed and Forage Costs	£5.50	£7.63
Gross Margin	£7.75	£11.93

Table 5 shows the performance of the finishing cattle. Income is £170.52 lower than the QMS average. Unlike the other enterprises at Girtridge, direct costs for the finishing cattle are slightly lower than the QMS average. The feed and forage costs are significantly lower at £82.24 compared to the average of £194.97. Despite the lower costs, the gross margin is still £56.45 lower than the average due to the lower income coming in.

Table 5 – 2018 Finishing cattle performance		
Grass & Shed Finished Cattle over 22 months	Girtridge/hd 2018	QMS Ave
Net Output	£1,036.94	£1,207.46
Direct Costs	£878.99	£880.33
Feed and Forage Costs	£82.24	£194.97
Gross Margin	£75.71	£132.16

As part of the Integrated Land Management Plan (ILMP) carried out at Girtridge, three different options were investigated for the farm going forward.

- **Option 1** - Status Quo. 300 finishing cattle, plus 500 breeding ewes selling finished lambs and 7.13 ha of hay for sale and 50 summer grazing dairy cattle.
- **Option 2** - Improving performance of finishing cattle to the top third QMS producers. 300 finishing cattle plus 500 breeding ewes selling finished lambs, and 7.13 ha of hay for sale, and 50 summer grazing dairy cattle at £0.80/hd/day.
- **Option 3** - Stop finishing cattle and instead contract rear dairy heifers and increase the sheep flock. 200 dairy heifers, 800 ewes, 27 ha of winter and spring barley and 7 ha of cash crop hay.

Table 6 - Gross Margins for Options	Option 1	Option 2	Option 3
Total Gross Margin (excluding subsidies) Gross Margins for contract rearing from FMHB 2019	**£93,865**	**£151,966**	**£124,298**

A more detailed breakdown of the gross margins for each option can be found in Appendix 1.

Business group - Farmbench data

The average 2018 data from four groups in the monitor farm programme were compared for their suckler and sheep enterprises. The groups included were Angus, Ayr, Lochaber and Sutherland. The difference is clear between each of the regions in terms of performance, due to the different systems in each area and the capabilities the land.

OPPORTUNITIES/CHALLENGES

- BREXIT is still causing a lot of uncertainty.
- Use benchmarking tools such as Farmbench to separate business performance at an enterprise level.
- Identifying poorly performing enterprises may open a door to an alternative.

FACILITATOR CONTACT DETAILS

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APPENDIX 1 – GIRTRIDGE FUTURE OPTIONS

Table 7 – Option 1 status quo	
300 Finishing cattle, plus 500 breeding ewes selling finished lambs and 7.13 ha of hay for sale (GM from FMHB 2019), 50 summer grazing dairy cattle	
Enterprise	**Gross Margin (£)**
Breeding Ewes (500) @ £49.93 GM	24,965
Finishing Lambs (380) @ £7.75 GM	2,945
Finishing cattle (300) @ £75.71 GM	22,713
Hay (7.13 ha) @ £734/ha	5,233
Winter Barley (7.70 ha) @ £1,487 GM	11,450
Spring Barley (19.32 ha) @ £1,002 GM	19,359
Grazing cattle income	7,200
Total Gross Margin (excluding subsidies)	**93,865**

Table 7 shows the gross margin if John were to keep everything the same at Girtridge.

Table 8 – Option 2 improving performance of finishing cattle to top third QMS producers	
300 Finishing cattle, plus 500 breeding ewes selling finished lambs and 7.13 ha of hay for sale (GM from FMHB 2019), 50 summer grazing dairy cattle at £0.80/hd/day.	
Enterprise	**Gross Margin (£)**
Breeding Ewes (500) @ £49.93 GM	24,965
Finishing Lambs (380) @ £7.75 GM	2,945
Finishing cattle (300) @ £269.38 GM	80,814
Hay (7.13 ha) @ £734/ha	5,233
Winter Barley (7.70 ha) @ £1,487 GM	11,450
Spring Barley (19.32 ha) @ £1,002 GM	19,359
Grazing cattle income	7,200
Total Gross Margin (excluding subsidies)	**151,966**

Table 8 shows the total gross margin if the cattle finish enterprise lifted its performance to be in the top third of QMS producers. This would increase total gross margin by £58,101. Increasing the gross margin of the finishing cattle from £75.71 to £269.38 would require a significant increase in income and further reduction of direct costs. The group agreed that in the south-west of Scotland this is an impossible task.

Table 9 – Option 3 stop finishing cattle and instead contract rear dairy heifers and increase the sheep flock	
200 dairy heifers (67 ha), 800 ewes (74 ha), winter and spring barley (27 ha) and cash crop hay (7 ha)	
Enterprise	**Gross Margin (£)**
Breeding Ewes (800) @ £49.93 GM	39,944
Finishing Lambs (608) @ £7.75 GM	4,712
Contract Rearing (200) @ £218 GM	43,600
Hay (7.13 ha) @ £734/ha	5,233
Winter Barley (7.70 ha) @ £1,487 GM	11,450
Spring Barley (19.32 ha) @ £1,002 GM	19,359
Total Gross Margin (excluding subsidies)	**124,298**

Table 9 shows the total gross margin if John ceased to finish cattle and used the sheds instead for contract rearing dairy heifers and increased the sheep flock to 800 ewes. This would increase the total gross margin by £30,433, not as much as if the finishing cattle performance was increased, but would be an easier way for John to increase his total gross margin. The dairy heifers offer a more favourable gross margin at £218 compared to the finishing, with less capital tied up in stock.