

# The Best British Farmers; What Gives Them The Edge?

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# Agenda

- **Competitiveness; where do we stand?**
  - UK performance
  - UK versus others
- **Why are others outperforming us?**
- **Why are the best the best?**
- **How can we raise our game**
  - as an industry
  - as a farmer?



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# What is Competitiveness?

**A relative measure used to compare businesses and sectors ~ (not just profit)**



*South West Airlines compared their turnaround time at airports with Formula One pit-stop crews, and reduced their non-flying time further as a result.*

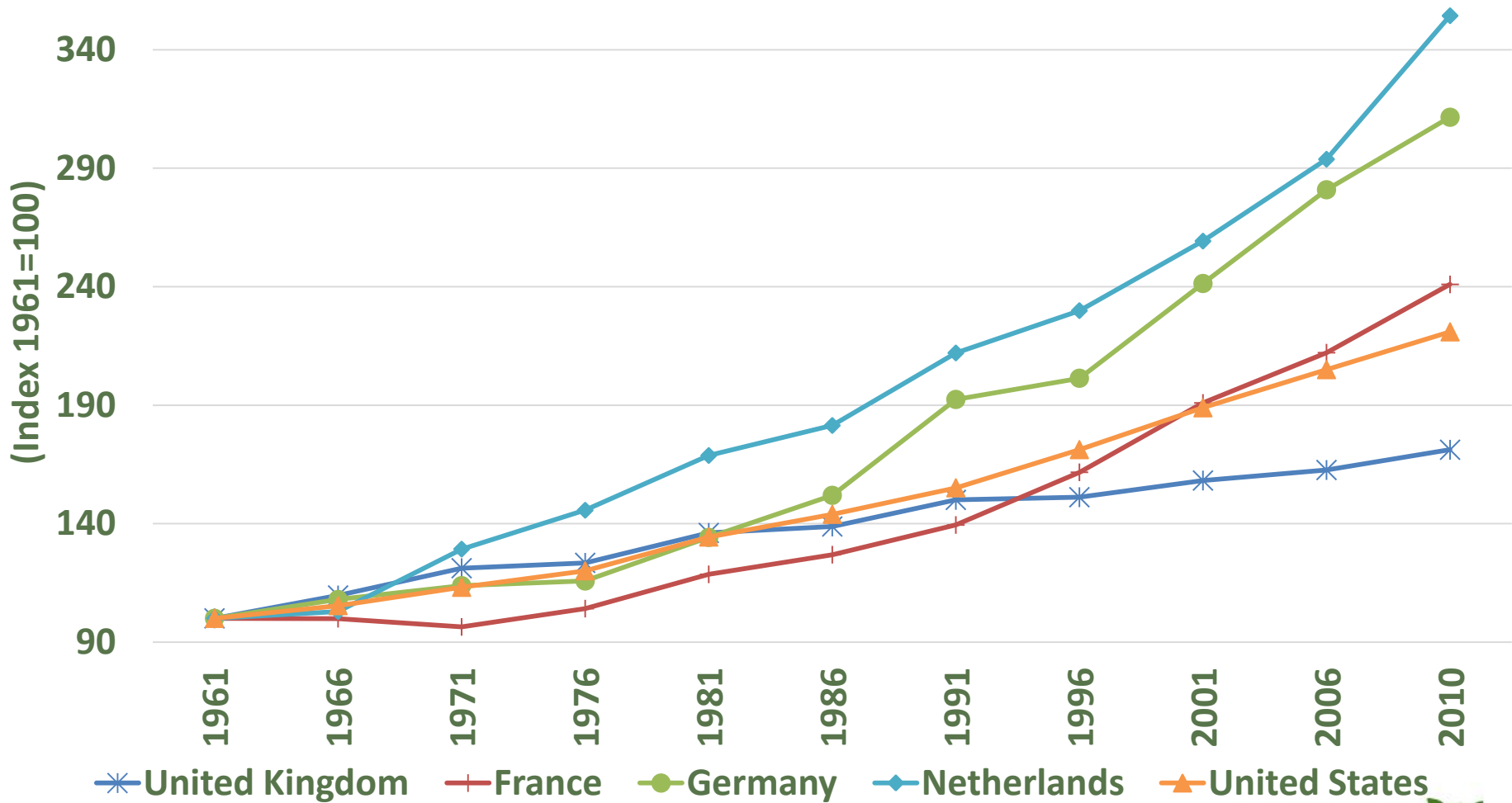


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# UK and Overseas

## Agricultural Total Factor Productivity (TFP)



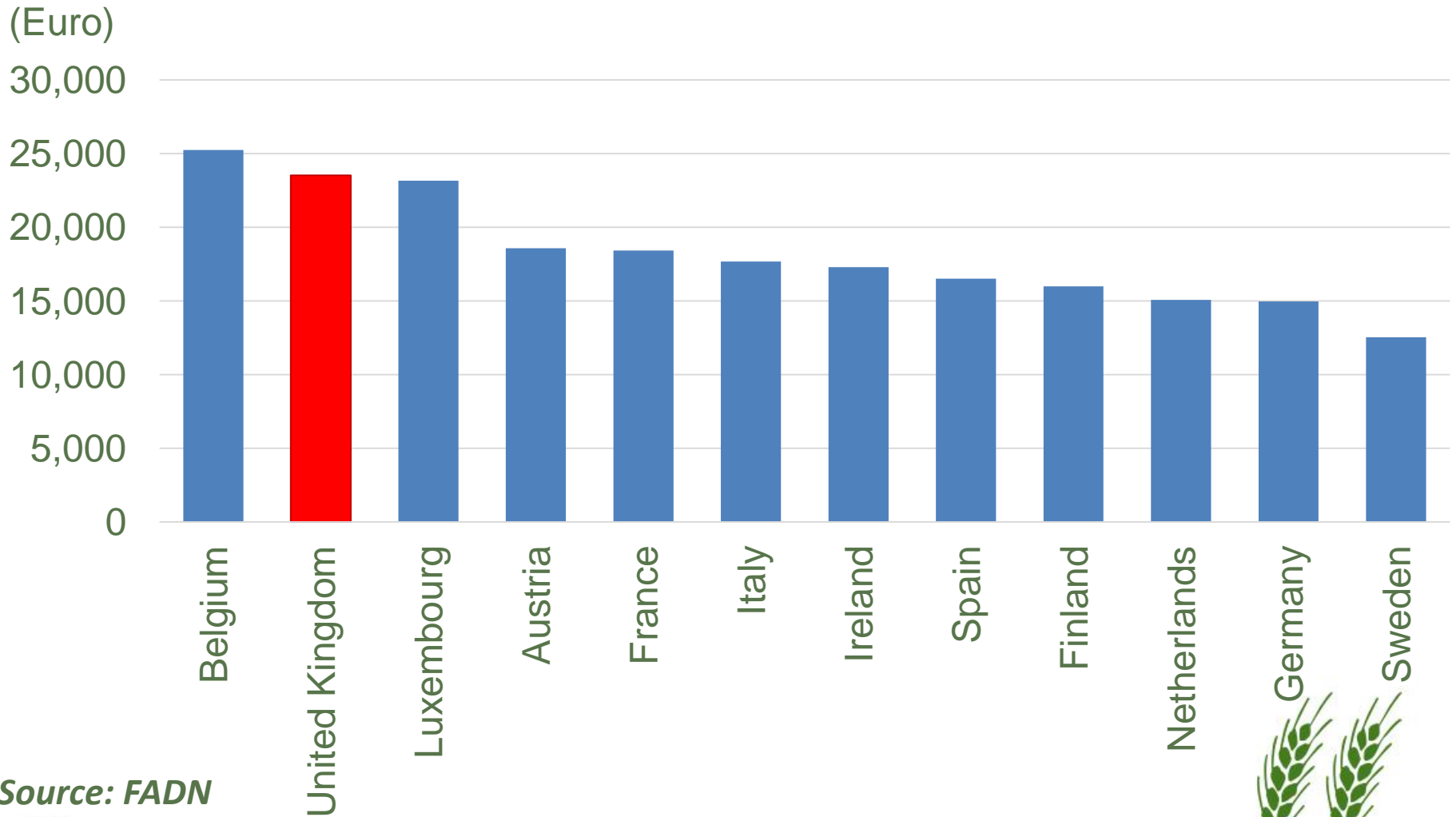
Source: USDA

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# Output per Individual Input

## Net Farm Income Per Worker



Source: FADN

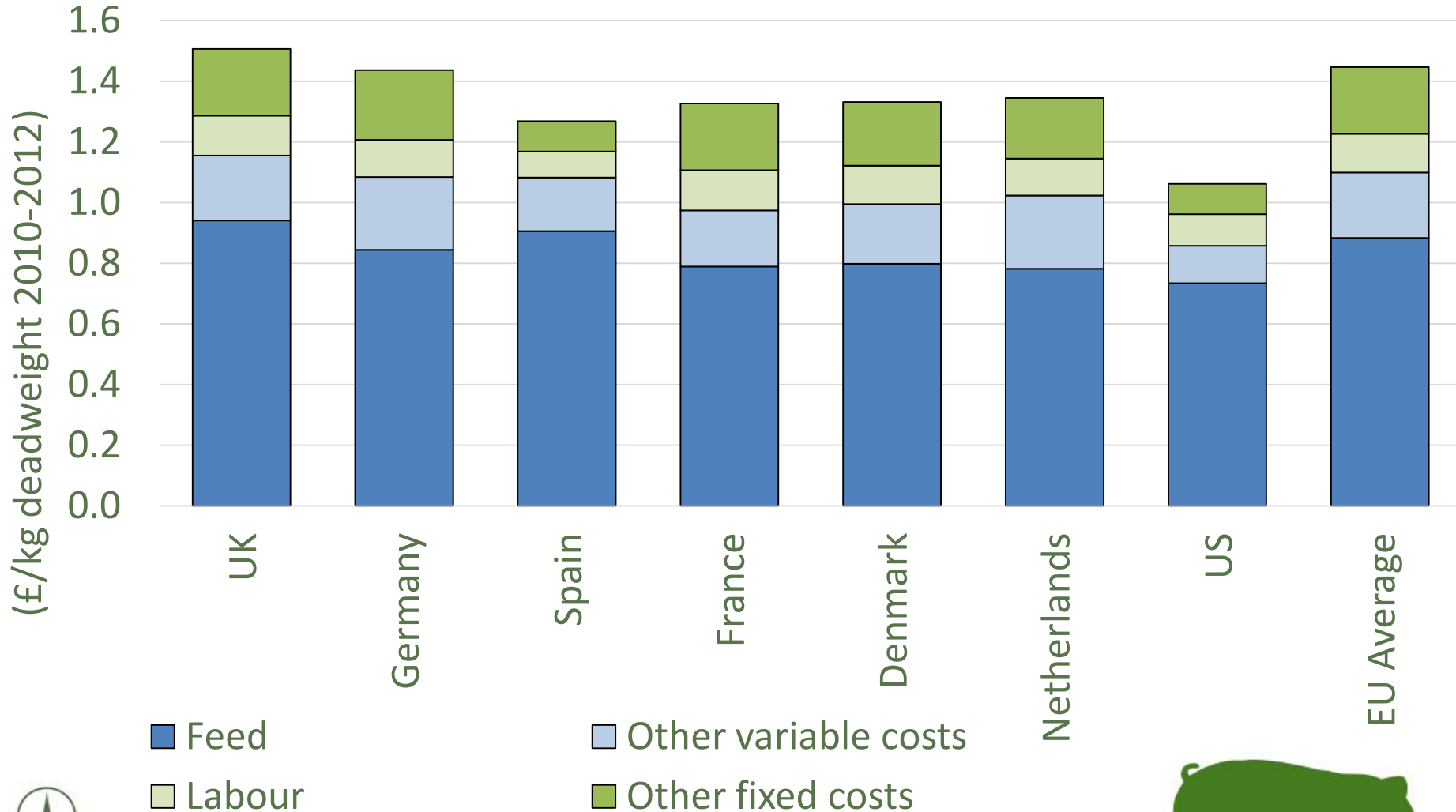


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# Costs of Production

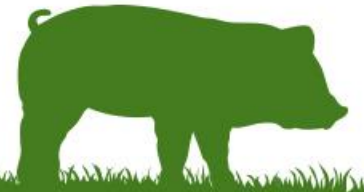
## Cost of Pig Production for Key Producers



- Feed
- Other variable costs
- Labour
- Other fixed costs

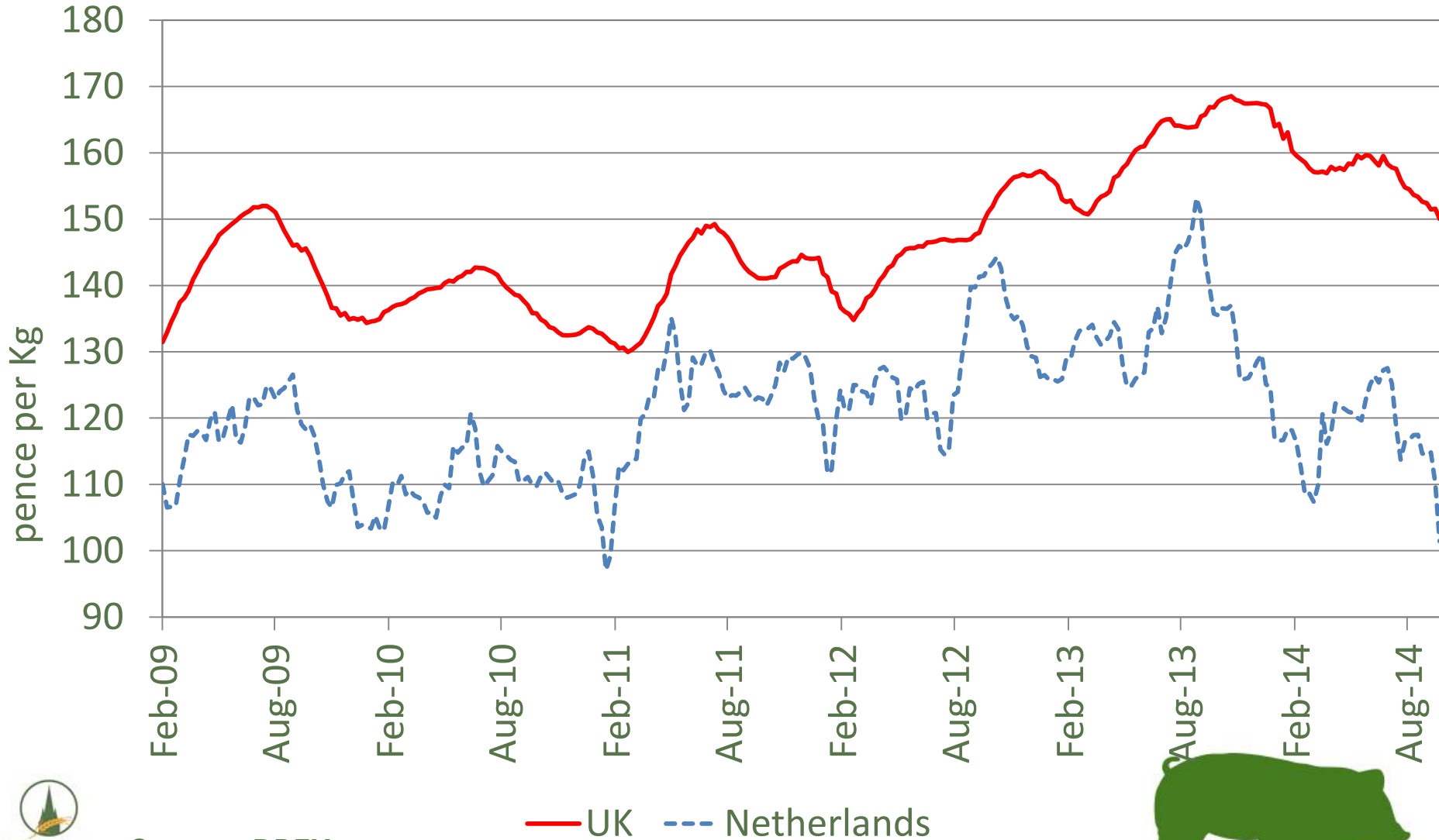


Source: BPEX



# Cost is not Everything

## UK and Dutch Pig Price Comparison



Source: BPEX

— UK    - - - Netherlands



# Cost of Production

- UK pigs have higher costs of production, at least partly because of outdoor units. They sell for a premium too
- Arable crops have a lower cost to most EU countries, output prices tend to be lower in the UK
- Dairy costs of production are good in the UK, but we can look to global comparables for lessons on improvement
- Beef and sheep units tend not to cover their costs from agriculture, requiring subsidy to provide profit
- Every sector in every country has a considerable range of performance.



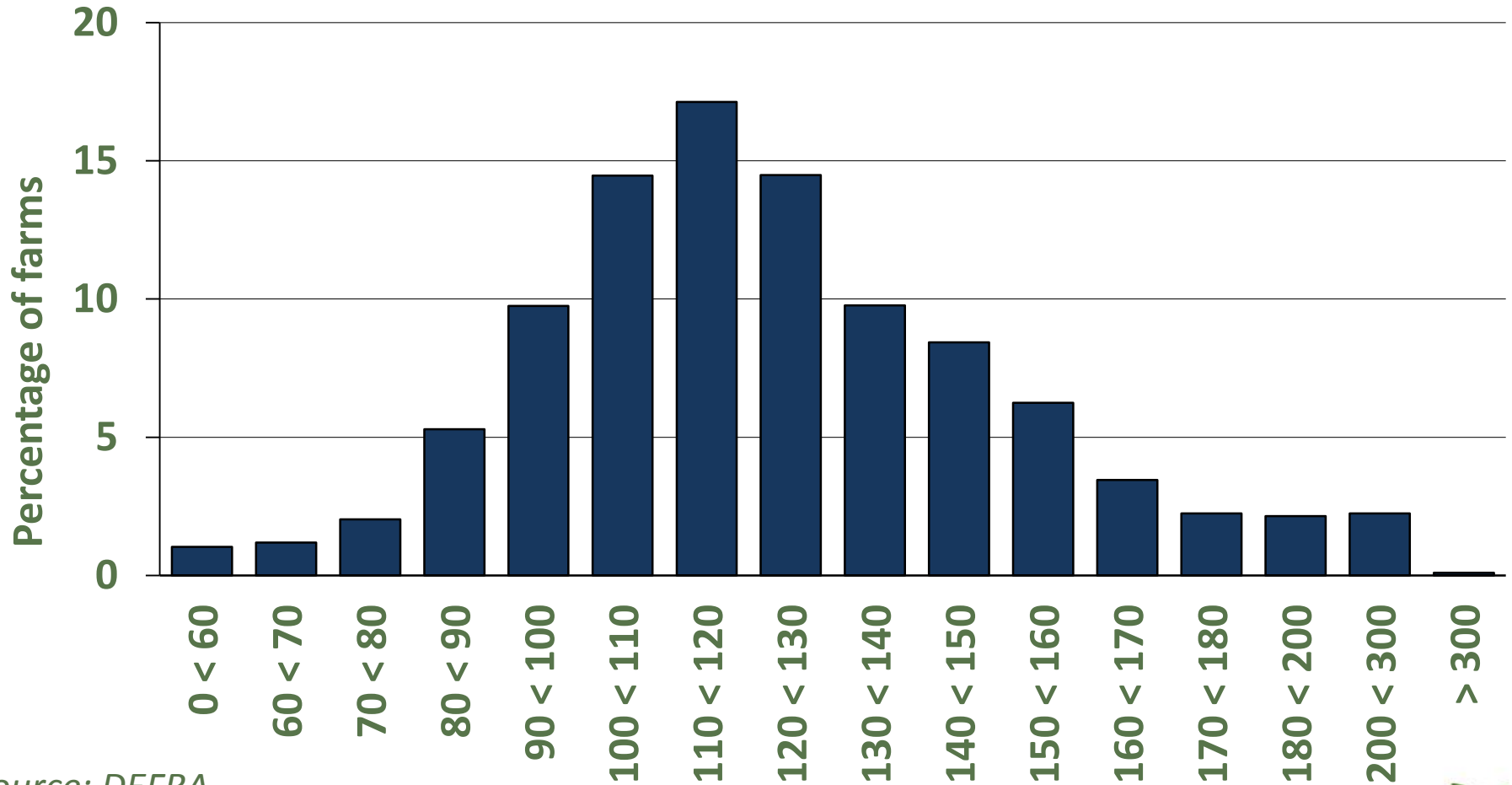
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# Range of UK Performance

## £ Output per £100 Input



Source; DEFRA



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# Range of UK Performance

## Lowland Grazing Livestock Farms

£/Hectare	Bottom 25%	Top 25%	Difference
Labour Productivity (£ output / AWU)	27,374	88,669	61,295
<b>Financial Performance (£/ha)</b>			
Total Farm Output	818	975	157
Variable Costs	283	262	-21
Gross Margin	535	713	178
Fixed Costs	680	397	-283
Total Costs	963	659	-304
<b>Farm Business Income</b>	<b>-145</b>	<b>316</b>	<b>461</b>

Source; FBS 2012/13

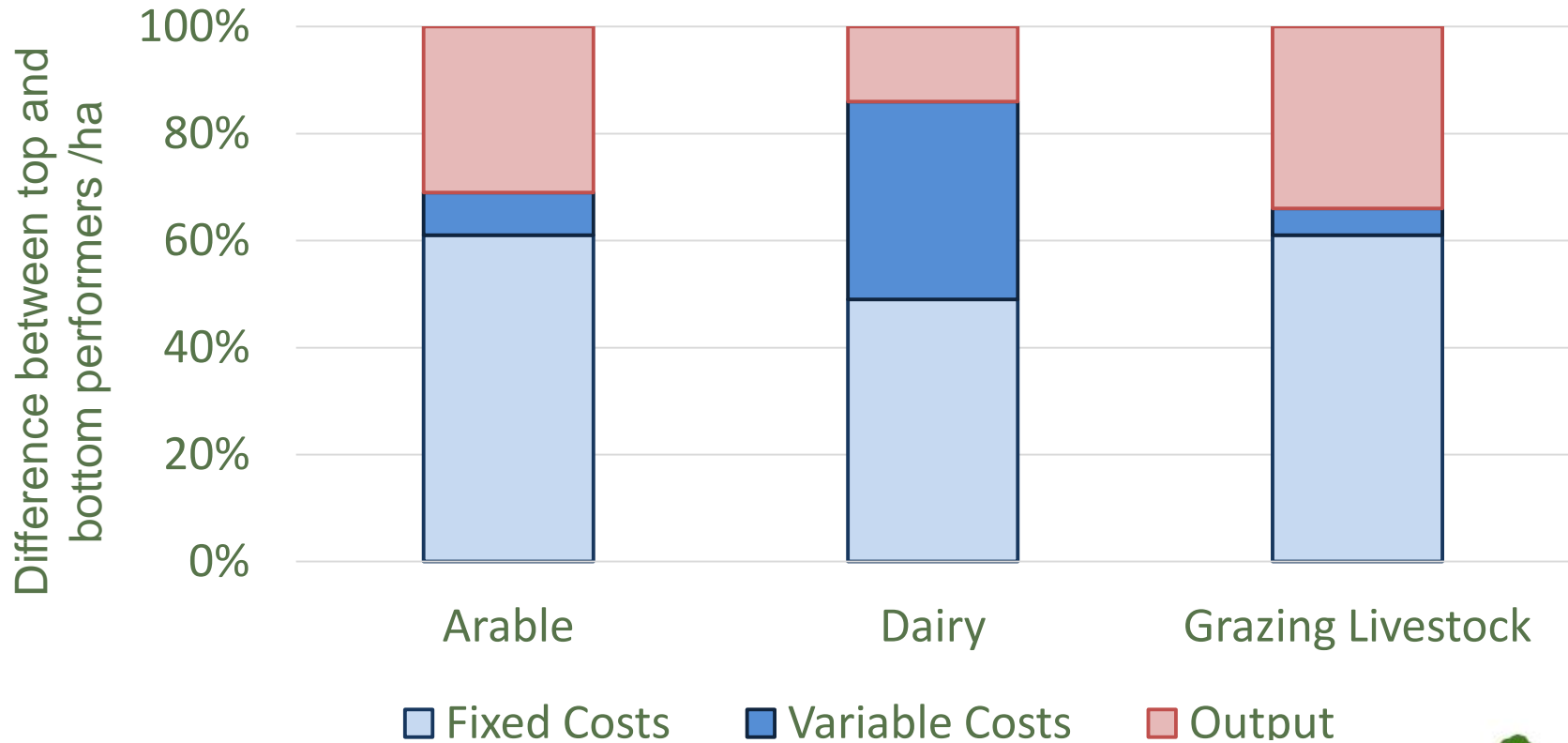


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# Why the Variation?

## Variation in Profit between Top and Bottom Farms



Source: FBS & DairyCo

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# Top Farmers Use Management Tools

- ✓ Benchmarking
- ✓ Budgeting
- ✓ Farmers discussion groups
- ✓ Management discussion groups
- ✓ Strategic plans
- ✓ Visions
- ✓ Objectives
- ✓ KPIs (largely per unit output)
- ✓ Consultants



# Aggregation of Marginal Gain

## UK 2012 Olympic Track Cycling Campaign

- Rounder wheels!
- Better nutrition
- Lighter bikes
- Training programme
- Seat ergonomics
- Deeper sleep
- Correct hand wash
- Shaved off milliseconds
- Some races won by milliseconds
- 7 golds out of 10 events
- **If everything 1% better, overall improvement is outstanding**



# What Helps TFP Increase?

- national investment in R&D
- capturing technology spill-overs through adaptive research
- extension services
- strengthening rural education
- institutional support
- policies providing economic incentives and hindrances to producers (inc. technology uses)
- structural change
- profitability and reinvestment



# Research and Development

- There's a proven link between Ag' R&D and Ag' productivity
- UK Ag-R&D falling 3.5% PA 2002-2011 in real terms, continued fall budgeted to 2022
- Public R&D complimentary to private R&D
- Insufficient 'near market' applied R&D

*R&D and efficient knowledge exchange, is a major engine of agricultural productivity and competitiveness.*

*Leaver, Alston, Agri-Tech...*



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# Knowledge Exchange & Education

- Many countries have more organised and better resourced KE programmes
- UK levy rates are comparatively low; UK levy bodies could do more with additional resources
- Lower performers probably farm for non-commercial reasons
- Qualifications hinder nobody
- Non-farming commercial experience provides crucial business training especially for home-grown farmers





# Succession & Restructuring

- Younger farmers are more eager to improve (and take risks such as borrow)
- Those who purchase farms often out-perform those who inherit
- Countries with more land sales often higher TFP
  - Inheritance vs. unpaid labour relationship?
  - Tax issues to restructuring. Investigate? E.g. conditions to claimants of reliefs



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# Conclusions

- UK has some of the world's finest farmers but as an industry we can improve
- To raise productivity in the UK we need more focussed public (and private) research
- Greater emphasis on near market research is required
- Knowledge exchange must improve, even if levies rise
- KE should focus on middle and top performers
- Barriers to entry need exploring
- Greater farm and institutional emphasis on business management is required
- Success is ultimately down to the individual



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