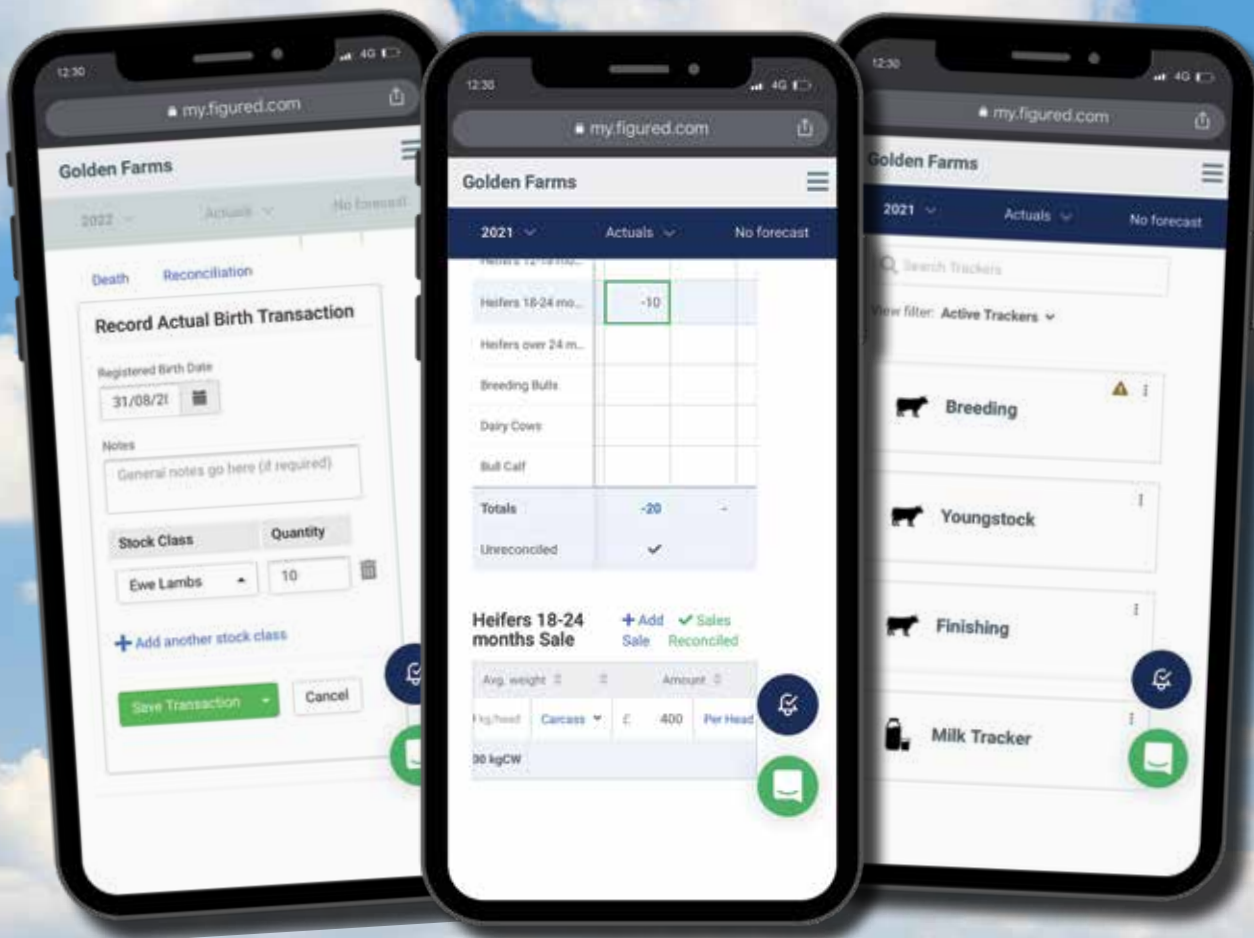


# Promar matters

March 2022

providing food for thought



**IN THIS ISSUE:** Our new financial farm management platform • Dive deep into milk prices • Year-end success • Retaining your farm team • Don't suffer from decidophobia • Our people's blog





# INTRODUCING

## OUR new financial farm management tool for tomorrow's farmers

**It's common for a business to measure its sales, know its order book and have an idea of its bank situation – but that is about all. It may not have clarity over which parts of the business are working better than others, may not directly know its overhead costs and more often than not, will fail to compare its monthly performance with previous years.**

That's a lot to consider and understandably, it can feel like you're spending more time keeping a business going than actually developing it or adding any value. After all, there is more to business than just admin, but in today's climate we must evaluate the importance of keeping a detailed log of a farm business's financial information.

Having accurate, real time financial data at your fingertips will help to strengthen your business for future robustness and adaptability. Two very key attributes that every farm business should have in 2022.

Promar's improved financial farm management platform, Agstute combines accounting, reporting, planning, benchmarking and forecasting so you're able to easily capture a complete picture of your farm business.

In collaboration with Figured and Xero, this service has been developed to enable informed decision-making, build a high level of trust between stakeholders and ease the pressures of managing your business data.



### THE BENEFITS OF AGSTUTE

- Leverages cloud technology to offer an intuitive experience
- The farming team can access the farm's financial information at any time, and in any place
- It's compatible with any device and all data can be shared securely
- Every customer will have access to comprehensive learning resources
- Multi-farm businesses can be easily managed to create one defined entity
- Actual and planned performance can be easily compared

## Taking five minutes to talk about Agstute

Neil Adams, Managing Director of Promar International, and David Kirby, Executive VP Europe and Americas at Figured, sit down to reflect on the challenges the UK agriculture industry has faced over the past year, and to discuss the solutions that Agstute will be able to provide farmers.

### David Kirby: Can you give me an introductory pitch on Agstute?

Neil Adams: Due to the nature of the industry and the need to work with complex data, one of our objectives was to find a more streamlined solution for farmers and their accountants. We were also aware of a growing demand, and need for a cloud-based accounting solution, which is a tool that has proven to be incredibly successful. Obviously, the fact that Figured and Xero have so many customers across the world gave us the confidence to work with them. We're confident that they'll continue to evolve their products in whatever form the market needs and requires.

### Farming teams in the UK are facing some significant changes to the industry, what are some of the wider challenges that led Promar to see the need for Agstute?

On one hand, farmers continue to need what they've always needed, such as a set of farm management accounts that they can interpret,

as well as to meet all the statutory requirements that relate to farming and accounting. I think the other thing they'll need is a simpler and more automated solution, because farmers are often constrained by time. So, anything that makes their jobs easier is really important. Going forward there will also be more and more requirements for farmers to consider the impact on the environment, carbon accounting being one example of that. A service that will evolve to enable us to help farmers accurately, and easily put that data together, is very important.

### Touching on subsidies, and perhaps the business opportunities that are arising from diversification, what value do you see in having a system that brings all up-to-date data into one place?

Oh, great value. As you said, many farmers are diversifying into lots of different enterprises. You're introducing a lot of complexity and could end up with a farm business that is operating over multiple sites. There needs to be an accounting platform that can accommodate that.

One thing that we think is going to be a bit of a game changer is the ease by which we will be able to support farmers themselves. Agstute offers the possibility to plan and budget, which is important.

Margins are going to be squeezed as subsidies are cut back, so I think having access to really good detail and being able to plan, and monitor against that, is going to be massively important.

We too are able to provide more comparative information, so the whole process of benchmarking through these tools will ultimately be much slicker and easier.

### A natural concluding question here would be, how do farmers get started and how will you help your clients through this journey onto Agstute?

We're striving to create a seamless transition for all our clients, from one system to another. We have set up a solid foundation of processes, protocols and training. All of which will be communicated very clearly with our customers.

By collaborating with Figured and Xero, they'll not only have the support of their analyst, they too will be able to utilise forums, helpdesks and much more.



**David Kirby**  
Executive VP Europe and Americas at Figured



**Neil Adams**  
Managing Director

Following the transfer to Agstute, keeping on top of the paperwork and VAT returns has become so easy. For me, it's the combination of how intuitive the system is and the support I receive from my analyst Jade.

Not to mention, having the bank feed directly linked in has saved me hours of bank reconciling in my day!

CAROLINE ROYLE



# Will milk prices keep up with cost increases?

**High input costs are set to prevail in 2022. The latest analysis of our Farm Business Accounts indicates that costs will have risen by 2.2ppl in the year to March 2022 and a further 3.2ppl in March 2023. We anticipate an average cost increase of 5.4ppl over both years combined.**

There are still uncertainties about exactly how costs will evolve. Nonetheless, if milk price was static, this cost hike would be a disaster for the whole dairy industry and force many producers out of business. The good news is that milk price is increasing. Whether it is increasing enough to mitigate rising input prices, and if it will stay at this higher level... well, those are questions that remain to be answered.

## What's causing inflation?

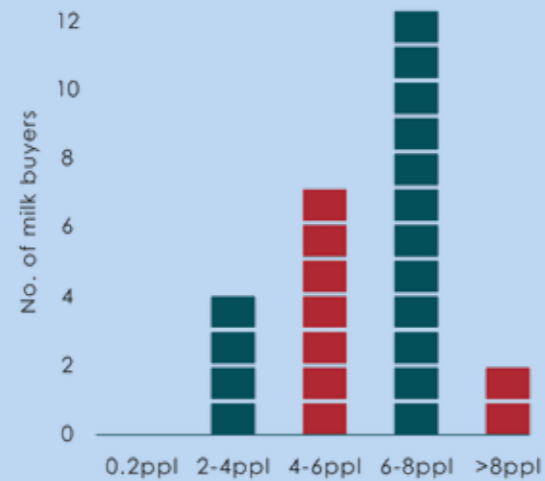
The net impact of COVID-19 has been an enormous increase in pent-up demand from consumers and an inability from supply chains to react quickly enough to meet this demand.

We're also seeing a sharp rise in shipping costs, which have tripled over the last twelve months. Not to mention, the enormous increase in energy costs that we are all too familiar with.

All these factors are trickling down to make products, services, and every other purchase we make, more expensive. Almost everything we buy is affected by these pressures, with the Bank of England predicting inflation will reach 7% this spring.

Having said that, the Bank expects inflation to fall in due course, as it is unlikely the price of energy and imported goods will continue to rise as production increases.

**Figure 1: Milk Price Change (Mar 21 to Feb 22)**



## Focusing on food costs

If we home in on food price inflation, we are faced with a more complicated picture. According to the UN, world food prices jumped by 28% in 2021, reaching their highest level in a decade. They put this down to unpredictable weather and the fact that it has been incredibly difficult to purchase food from international markets.

All food commodities have been affected, including dairy. EU Skimmed Milk Powder (SMP) production has decreased by nearly 6% and the EU estimates that the global production of SMP is 20% lower than the prior year, between January and September. There are supply reductions in other dairy products too, such as butter.

Demand for dairy tends to increase steadily year-on-year, because it is a healthy, affordable protein source. This all suggests that food price inflation has been caused by a shortage of product, much like it has increased the price of components in automotive and technology industries.

High prices certainly could have a repercussion on demand later on down the line, but, unlike a car or computer, food is not a luxury and we all need calories to survive.

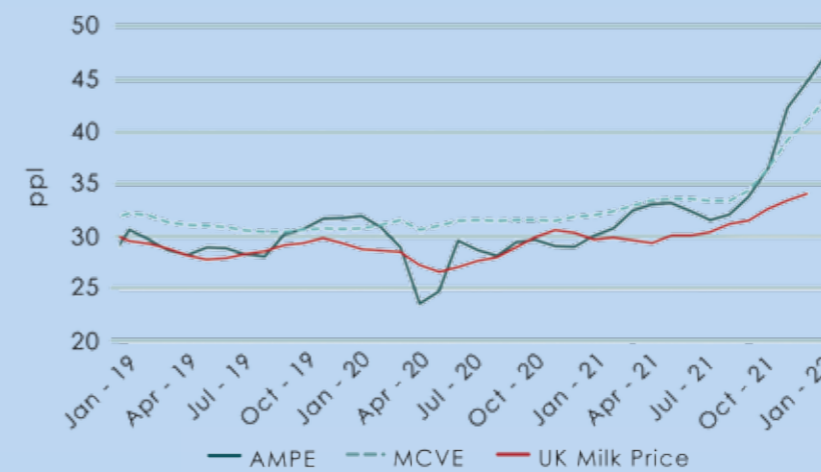
## Why are we seeing a supply shortage?

UK milk output from April 2021 to date is around 50 million litres lower than was produced in the previous year, and a similar story is emerging across Europe, North America and New Zealand who are all producing 1-2% less milk than a year ago.

Pressure from buyers and governments to limit the impact of dairy on climate change is one significant influence constraining output, while labour shortages are adding to the challenges being faced on many farms.

High farm costs are restricting output growth too. This makes it possible to look at these rising input costs from another perspective, one where you see a benefit in their role in increasing the milk price.

**Figure 2: Milk Prices (Actuals and Indicators)**



Source: AHDB & DEFRA

## Supply and demand implications

All these supply and demand factors are driving prices higher across the industry. Figure 1 shows how the milk price has moved for 25 UK buyers over the last 12 months. The lower the start price of these contracts, the greater the increase has been.

The average increase from March 2021 to February 2022 is 5.9ppl, with a notable rise in prices for manufacturing companies and non-aligned liquid milk specialists. Essentially, the increased production of SMP reduces the supply of milk for other end uses meaning buyers now need to bid higher to secure the raw milk they need.

## What does this all mean for dairy farmers?

Globally, we are seeing a shrinking milk pool and no let up in demand. This isn't set to change anytime soon, with high inputs making it difficult to see global milk supply increasing.

As a result, the price of milk will continue to rise. The highly respected research body, IFCN is forecasting a global milk price of around \$55 per 100kg of fat corrected milk which is well aligned to future prices.

At the current exchange rate, this equates to a farmgate price of 40.5 ppl.

Figure 2 shows how the UK price generally tracks the price of commodities represented by the AMPE and MCVE indices, which represent the commodity prices of butter, skimmed milk powder and cheese production. The gap between the index and farmgate prices is often argued over, but the trend is clearly upward.

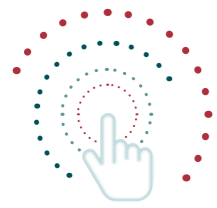
If you're a supplier, then this could be good news. Why? Well, let's go back to our original question: will milk prices keep up with cost increases? For most, we can say that the answer is yes. However, for those producers who are using very high levels of the high inflation inputs, we think it is unlikely.

What we know is that the only way to be sure is to plan in detail. As they say... if you fail to plan, you're only planning to fail.



**Tim Harper**  
Senior Consultant





# THE FEATURES OF **Agstute**

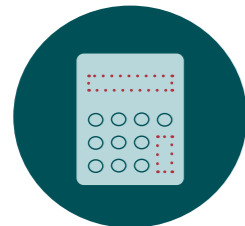
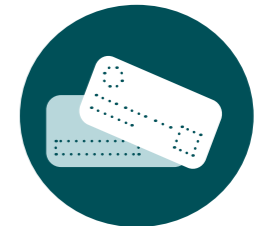
Powered by Xero and Figured

## THE CLOUD-BASED FINANCIAL FARM MANAGEMENT PORTAL POWERED BY XERO & FIGURED

AUTOMATICALLY LINKED TO SUPPLIERS  
MANUAL ENTRIES ACCOMODATED  
SCANNING FOR EASE



ENTER **&** ADD  
PAYMENTS RECEIPTS



ADD STOCK  
NUMBERS & STORES



LINKED TO BCMS  
MANUAL ENTRIES ACCOMODATED  
LINKED TO OTHER APPS

LINKED BANK RECONCILIATION  
LINKED TO MTD & VAT CLAIMS  
ALLOCATED TO INDIVIDUAL ENTERPRISES



ACCOUNT  
RECONCILIATION



PERFORMANCE  
TRACKING



INDIVIDUAL ENTERPRISE PERFORMANCE  
PERFORMANCE COMPARISON  
INVENTORY & ITS VALUE

CASH FLOW & VARIANCE REPORTING  
REAL TIME PROFIT + LOSS  
BENCHMARKED AGAINST INDUSTRY DATA



Reporting &  
BENCHMARKING



ACCURATE  
PLANNING



SCENARIO PLANNING  
YEAR SPECIFIC BUDGETING  
PRECISE FORECASTING



# Be prepared for your financial year-end

With dairy farm profits under pressure, it has never been more important to get your accounts in order. If you don't have a complete picture of your farm finances and an indication of how well your business is performing, how do you expect to survive?

Complete visibility and clarification is especially critical at this time of year, with 80% of farm businesses facing spring year-ends. This period is often met with dread. This doesn't have to be the case though, particularly if you plan ahead and make time to prepare accordingly.

Year-end success depends on strategic planning, robust processes and organisation. Prepare for the extra workload, evaluate what information you'll need to make the process run smoothly and think carefully about how to hold the ship steady in the coming months.



Tryphena Williams  
UK FBA Manager

## Here's our top tips for getting ready for the year-end period:

- 1 Login to BCMS on your year-end date and print your stock sheet.
- 2 Have all year-end loan balances to hand.
- 3 For accuracy, complete a stock take of all feed, fertilisers, fuel, bedding etc. on the year-end date.
- 4 Be prepared to provide details about livestock and cropping purchase splits, for example – how was bedding allocated? What fertiliser was used on what crops?
- 5 If you need to keep livestock records, make sure that they have all been completed.
- 6 Be sure to have your cropping harvest and usage detailed down, including what exactly is in store at the year-end.
- 7 Finally, be prepared for next year!

Evaluate how you can make the process easier for the next financial year – whether that be by implementing

something simple like having new folders and dividers ready, or completing cropping and livestock records on a monthly and quarterly basis. Both will be valuable going forward.

Working with a professional and utilising a financial farm management tool will also help to soothe the year-end process, relieving the pressures on you and your farming team. Our team of fully trained analysts can utilise their experience to efficiently complete harvest and calving information, fertiliser applications, tie up loose ends that have been forgotten during the year and collate information for your accountant.

Acting as an extension of your team, an analyst will visit your farm to input the data on our management platform and will provide a comprehensive report with a detailed breakdown of each one of your enterprises, together with conventional accounting reports. If it sounds like our analysts could benefit your business, please get in touch.

# Don't lose sight of your most important asset: **your farming team**



Sue Bryan  
Manager of Farm Consulting,  
Southern Region

## New technological advances and regulations are being introduced to the agricultural industry on an almost daily basis. Whether it be revised standards or tighter rules around environmental protection, change is continuously expected on farm.

Your entire farming team is responsible for getting on board with any changes and implementing them successfully. This doesn't just apply to those who you employ. Your vet, consultant, contractor, foot trimmer, nutritionist, and many more all have their part to play. All these people are your single most valuable resource and should not be undervalued.

To create strong, passionate and productive people, never underestimate the importance of effective communication.

If you fail to keep all your people informed about the decisions you're making, why you're making them and how the business is performing through change, how do you expect them to feel valued and motivated? As for your stakeholders, how are they expected to help when they don't know the true story?



## Take the time to stop and listen

When is the last time you stopped and spoke to your team? I don't just mean a brief chat through the cab door of your tractor, I'm talking about setting time aside for an inciteful conversation. A time when you could all offer contribution and dig deep into the details, whether that be an overview of the business's finances or future plans.

People are motivated by clear purpose and objectives. They may not initially be driven by the prospect of change, but it is possible to align your purpose with that of your people. To develop, you'll need fantastic herd performance, solid infrastructures and efficient practices. This creates scope for individuals to have greater responsibility and grow their own skills.

Your team are working close to the ground, every day. They know the ins and outs of the business, and what is or isn't working. Their input can be highly valuable and will likely lead to improvements you may have never considered.

## Provide one source of the truth

Collaboration and communication needs to extend beyond your immediate team. One of the main reasons businesses can fail to implement change is because the

information available to, and communication with, stakeholders such as the accountant and bank manager has been mishandled.

Success starts with having a plan and sharing it with all those involved. Allowing all to contribute and share ideas, means everyone will feel involved and more likely to embrace the plan. The critical next step to success is that all financial information remains in one place, in real time. Ensuring everyone has a complete picture of the business will enable informed decision-making, more accurate forecasting and budgeting, and sustainable planning.

If you work in agriculture, you simply cannot stand still and wait for all your troubles to blow over. As farming conditions change you need to be adjusting the business accordingly and building a structurally sound plan for the future.

To do this, you'll need the help of your whole farming team. No matter if it's the consultant, secretary, accountant, tractor driver, farm manager or herdsman, everyone needs to be part of the conversation. They all are a piece of the puzzle and it's those who fit these pieces together who will have more robust businesses.



# Are you suffering from decidophobia?

Many industry commentators have referred in recent months to the 'perfect storm' of cost pressures now facing UK milk production at farm level. The commentary is sometimes so relentless that it would be understandable if it had a hugely demoralising and emotional effect on many producers.

The likely effect of these cost pressures will be different for every farm business, depending on their circumstances. Whatever the situation though, it still might not be easy to avoid getting carried along in a wave of negativity.

Feelings of uncertainty and uneasiness are understandable when looking forward, and they are not friends of good decision making. Especially during a time when decisions need to be made quickly, and carefully.

In such an environment, it's entirely possible for farming businesses to fall foul of a recognised condition called decidophobia. This can be defined as the irrational fear of making a decision, allowing external circumstances to dictate your business's future as opposed to taking control of your own future.

## So, how can businesses move forward positively and regain some control?

A first step is to **define the size and nature** of the problem or choice clearly and early. If you're facing a monster, it's much better to be able to see it rather than imagining what it's like in your mind. In a farming context, this might be estimating specifically what a £35 per ton increased feed cost means to your herd performance.

Or it might mean calculating exactly what the peak pressure is going to be on overdraft requirements, and when. Not forgetting to also define the size and nature of mitigating factors, such as improved milk price or efficiencies.

Secondly, by **ranking the impact** of these different factors in order of priority and aligning these with what is most important for the business to achieve. In other words, what is the purpose or *raison d'être* of the business to its owners? It might be providing for the next generation or it might be gaining more land.

When that is clear then the business can reduce the amount of decisions it has to take and make sure that it makes the right decision first. This is opposed to rushing into a plethora of decisions all at once, which could inevitably increase the risk of making the wrong one.

When committing to decisions, the next step for a business might be to shift its existing point of view. Many businesses have a particular way in which they operate. For example, many will be inherently inclined to 'robustness', where their instinct is to continually cut absolute spending and survive on less, sometimes to the detriment of considering new ideas.

Others might be inherently inclined to 'adaptability', where their instinct is always to believe in new ideas and try new things, without a realistic consideration of the cost implications. Both default instincts can be helpful, but both can also be misplaced. It serves well to combine the two. To ensure that your spending time thinking and analysing decisions from both perspectives, and not being too rigid in your deliberations.

This shift in an existing point of view might also lead to a change in the financial management system which a business utilises. Any business needs to ensure that its management system offer the best insight, looking backwards at historical performance as well as looking forwards at the likely impact of options it is considering.

Lastly, build a team of people you can trust and people you know who are on your side. As the leader of a business, one of the most effective ways you can take control is how you pick, how you motivate and how you communicate with your team. You have the power to hire, fire or coach your herdsman, tractor driver, vet, consultant, banker, accountant, agronomist etc. as well as deciding how big your team should be. Take a moment and evaluate if you have the right team for your needs.

Spare time is not something that many farmers have. By following the principles of the steps outlined above, and building a clear plan of action, you can start to use that time productively. Capturing a clear understanding of where you'd like your business to be and evaluating the key decisions you need to make in order to get there, will help to turn any worries or concerns into clarity and productive actions.



**Nigel Davies**  
Manager of Farm Consulting,  
Northern Region



# Blog

**Promar**  
International



## FIVE PRACTICAL STEPS TO MITIGATE THE IMPACT OF RISING COSTS

If you set any objectives in 2022, make sure that you're evaluating the likely repercussions rising costs will have on your business. We estimate that costs will have risen by an average of 5.3ppl in March 2023.

Remember that this calculation is the average likely increase and there will be variations between systems. Despite this, there are still ways in which every dairy farm can mitigate the effect of rising costs. From challenging multi-cut silage to growing more maize, we outline five practical steps to consider adopting.

[www.promar-international.com/five-practical-steps-to-mitigate-the-impact-of-rising-costs/](http://www.promar-international.com/five-practical-steps-to-mitigate-the-impact-of-rising-costs/)



## THE WONDERFUL WAYS OF HERBAL LEYS

Farming systems in the UK are under pressure to reduce their carbon footprint and environmental impact, whilst maintaining their current productivity. How is this possible?

An increasing number of farmers are moving away from high input grass leys and introducing low input herbal leys. Herbal leys can play a key role in helping farmers to reduce their environmental impact as well as providing other benefits to soil and animal health.

DEFRA and supplier networks are also encouraging farmers to introduce herbal leys with financial incentives, making it a viable option for the future of your farm business.

[www.promar-international.com/the-wonderful-ways-of-herbal-leys/](http://www.promar-international.com/the-wonderful-ways-of-herbal-leys/)



## HOW TO MAKE THE MOST OF YOUR ORGANIC MANURE

With inorganic N now costing £2 per kg, it's important to remember the value of your organic manure and establish a plan to capture this value.

You only need to look at the figures to see that your muck heap and lagoon are two of the best assets on your farm. For example, did you know your cattle's slurry is worth £24/acre? So, what can you do to make the most of your organic manure? The quality and quantity, type and timing of application will all have an impact on the nutrient availability of the manure to the crop. It's important to evaluate these factors to maximise the utilisation of the resource on your farm.

[www.promar-international.com/how-to-make-the-most-of-organic-manure/](http://www.promar-international.com/how-to-make-the-most-of-organic-manure/)

