

ProCam Group Ltd.
Industrial Estate
Saxon Way
Melbourn
Royston
Herts. SG8 6DN

Tel: 01763 261592
Fax: 01763 262869



PRESS NEWS

4CAST HIGHLIGHTS NEED TO REDUCE FIXED COSTS

Arable producers must strive to reduce their fixed costs if they are to make money following the loss of Area Aid, new figures from ProCam's 4cast predictive agronomy system suggest.

Using 2004 production figures and crop prices, only the very best producers would make money once Area Aid is taken out of the equation. Furthermore, the 'non-farming' option looks increasingly less likely to provide any type of sound base for the future.

"Margins were down by around 18% on average in 2004 over 2003 as a result of falling grain prices and increased variable cost due to raised fertiliser prices and high disease and pest threats," ProCam technical agronomist Nick Myers explains.

"Taking these reduced figures and predicting margins for the years ahead gives serious concern for future farm profits, unless yields and management are improved.

Although last year growers on average achieved a wheat gross margin of £560/ha, when Area Aid is removed, this falls to approx. £330/ha - below average published estimates for fixed costs on mainly cereal farms.

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Only the top 25% producers achieving gross margins minus Area Aid of around £480/ha for Winter Wheat would stand any chance of making money using this year's performance figures.

The 2004 analysis shows the most cost effective rotation still being Winter Wheat and Winter OSR but only the top 25% of producers would have achieved margins of around £380/ha for OSR in 2004, if Area Aid is ignored.

“Overall, producers have to up their game in terms of crop management and optimum use of variable inputs, but fixed costs have got to come under the spotlight too,” Nick Myers explains.

“Reducing tillage operations, sharing machinery, using contractors - all these must be looked at now.”

And for those producers thinking of taking the non-farming option in the years ahead, 4cast figures suggest that this is not as simple as it sounds.

“Many farmers, especially tenants will have a base level of fixed costs that could easily exceed their Single Payment. Owner Occupiers on low borrowings may be OK, but there'll still be more overheads than many realise – cross compliance costs, repairs, insurances etc. There may also be serious tax implications for 'non-farmers',” Nick Myers says.

“Furthermore, there's every chance there could be another Mid Term Review in 2008 making farming more favourable and if you have wound down to nothing, how easy will it be to start up again?”

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“There is really no option other than to look at improving management, reducing operating costs and increasing yields. Those that can do this will still be able to make good profits in the years ahead.”

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PRM047

10th February 2005

For further information please contact Nick Myers, ProCam Ltd., Royston, Herts.
Telephone: 01763 261592

Issued by Philip Hainey, Proterra Ltd., Stamford, Lincs. Telephone: 01780 756299

Notes to Editors

This information was presented for the first time at the National ProCam Spring Conference at Tattersalls, Newmarket on Wednesday 9th February 2005.

Digital pictures from the conference are available from liz@proterra.co.uk

4cast is ProCam’s predictive agronomy system, utilising field results taken from one million acres of arable land, walked by ProCam’s agronomists throughout the UK.