

The Farm Management Handbook 2024/25

Editor

Alastair Beattie

SAC Consulting

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Enquiries:

Telephone: 01835 823322

Email: fmh@sac.co.uk

Website: www.sac.co.uk/publications

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ELECTRONIC VERSION OF THE FARM MANAGEMENT HANDBOOK

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Foreword

Following the change of government at the UK general election in July 2024, many of us had hopes for a brighter future and economic stability. With the realities of the economic landscape laid bare by the new UK government, it appears that difficult times lie ahead once again with tax rises looming on the horizon as the government attempts to balance income and expenditure whilst also maintaining public services as well as support to the rural economy.

In Scotland, we are fortunate enough to have retained agricultural support in the form of the Basic Payment Scheme (BPS) and much of the framework for those involved in agriculture has now been unveiled for the period up until 2028. From 2025, farmers will need to ensure that the different component parts of the Whole farm Plan are put in place – both to safeguard eligibility for BPS support and to help optimise returns.

2024 has been another challenging year for agricultural businesses, not least due to the disappointing weather conditions during the summer. Poor weather has produced much frustration for cereal growers with only short time windows available for harvesting crops, and further impact upon crop yields and straw quality.

Besides setting out current gross margins for the main agricultural sectors including arable, beef, sheep, dairying, pigs, and poultry production, the Farm Management Handbook also provides readers with some recent background and price trends for each sector. The 2024/25 handbook also highlights some new developments in agriculture such as the consultation on Ultra-High Frequency (UHF) cattle eartags, the requirement for bird keepers to register on the Scottish Kept Bird Register, and the criteria for whole farm plans from 2025.

The SAC Farm Management Handbook is a budgeting book. The Handbook is an annual publication - more regular market and input cost data are provided at www.fas.scot under '*Publications*'. Enterprise budgets are expressed to gross margin level. The fixed costs of an individual business should also be considered when preparing forward budgets as they can have a significant impact on the profitability and/or success of a business.

The 45th edition of the Farm Management Handbook, produced with the support of the Scottish Government's SRDP Farm Advisory Service (FAS), provides a comprehensive and up-to-date source of information for all involved in the assessment and planning of farm and rural businesses. The Handbook could not be produced without the help of colleagues and friends throughout the industry. This help, and indeed all comments and suggestions, are very much appreciated.

Alastair Beattie,
October 2024

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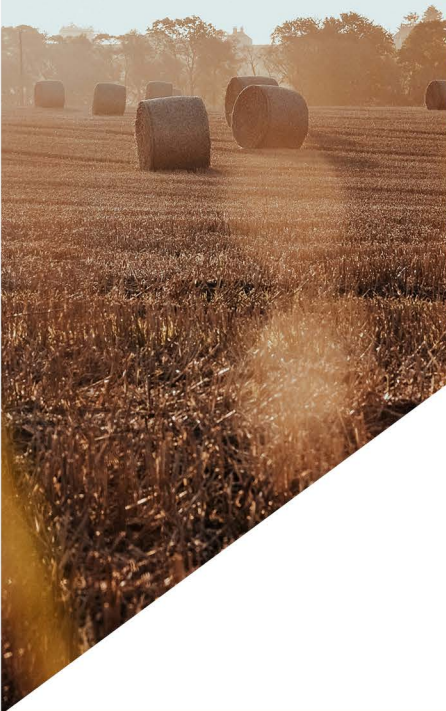
SAC Consulting would also like to thank the individuals and organisations that help update the Handbook. Your contributions are very much appreciated.

The Farm Management Handbook



Farm
Advisory
Service

Enterprise Budgeting



The UK reference
for farm business
management



Part of Scotland's
Rural College (SRUC)

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Enterprise Budgeting

The Farm Management Handbook is designed to provide guidelines in preparing forward budgets.

Output

Output is based on anticipated sales prices (adjusted for replacement costs where required) plus enterprise specific subsidies (as applicable). Livestock output prices are based on market forecasts while crop output prices are based on forward sales values for 2025 as set in summer 2024.

All non enterprise specific subsidies, e.g. Basic Payment Scheme (BPS) and Less Favoured Area Support Scheme (LFASS) are excluded from the enterprise gross margins. These subsidies are regarded as whole farm income therefore should be included in whole farm gross margin budget calculations. See Rural Aid Schemes section for more information on subsidies.

Variable costs

Variable costs (e.g. feed, seed, fertiliser, vet and medicine and sprays) are specific to an enterprise and vary in proportion to the size of the enterprise. Enterprise gross margins will vary considerably between individual businesses due to differing land quality, climate, production system, yields, prices and managerial abilities. All variable costs are based on projected prices for the year ahead, set in summer 2024.

Gross margins

A gross margin is **not** a profit figure. No account is taken of "fixed" or "overhead" costs such as labour, power and machinery, property upkeep, rent or finance charges.

The gross margin of an enterprise is:

OUTPUT

/less

VARIABLE COSTS

Enterprise performance levels are expressed on a per head basis and, for land using enterprises, on a per hectare (acre) basis. It is also assumed that the enterprise is in a "steady state" where, for instance, the size of a dairy herd is the same at the start and end of the year.

The gross margin data represents good technical performance at estimated prices for 2024/25 but should not be regarded as industry standards or targets, nor should it be used as actual data for compensation purposes. That is, these are indicative margins that should be customised to the specific requirements of the user.

Fixed costs

Fixed costs (e.g. labour, machinery, general overheads and finance) are costs that cannot readily be allocated to a specific gross margin. Fixed costs are generally unaffected by small changes in enterprise size but can vary from year to year. As a result, they are often referred to as overhead or indirect costs. Depreciation (for property and machinery) is also considered as a fixed cost and it is useful to keep this separate to allow a broad assessment of the capital investment needs of a business. If actual fixed costs are not available for a particular farm type, the figures in the Whole Farm Data section can be used.

Rounding

Because of rounding, individual items may not add to sub-totals or totals.

Remember! The gross margins are indicative and are not industry standards or targets. Care should therefore be taken when comparing actual results with values in the handbook or when using this information for budgeting purposes. Data should be adjusted to reflect local physical differences and changes in price.

Should you require assistance in using the Handbook, please contact your local SAC Consulting office. For contact details see Contacts section.