

# Keeping Control of Costs

## Financial Planning for Livestock Farmers

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## Introduction

Livestock farmers are experiencing unprecedented input costs, and while there are no silver bullets, good cost control and cashflow management can help to ensure that businesses remain resilient. There are opportunities to make changes which will have a short term positive impact.

The following sections provide more information on areas where “quick wins” could be made to reduce costs and ease cashflow pressure. It is important to remember that any cost savings should be balanced against loss in performance and careful consideration taken to the longer term impact of reducing inputs, in particular feed and fertiliser.

## Feed Costs

Aside from fertiliser, feed costs are often the largest bills which come through the letterbox, especially in the winter months. It is essential that you have your silage and other forages analysed to ensure you are meeting the nutritional requirements of the stock you are feeding. This ensures that performance is optimised and that maximum use is made of forage. Below are examples or rations for spring and autumn calving cows and growing cattle, highlighting the increased costs of the autumn herd and also the difference that concentrate options can make on ration costs.

Winter feed	750kg (Spring calving cow)	750kg (Autumn calving cow)	750kg (Autumn calving cow)	Costs
Silage	25kg	32kg	32kg	£45/T (30% DM)
Straw	4kg			£80/T
Barley Mix			2kg	£263/T
Beef Nut		1.5kg		£400/T
Mineral	100g	100g	100g	£750/T
Cost per Day	£1.52	£2.11	£2.04	



	Cost	Cost
16kgs Silage	0.72	0.72
2kgs Beef Nut	0.80	
2 kgs Barley Mix		0.53
Cost/ Day	1.42	1.25
Cost per kg Gained	2.02	1.78

Store calves gaining 0.7kg/day  
 Average silage (24%DM, 10.5ME, 13CP)  
 @£45/ tonne, Beef nut @ £400/ tonne  
 Barley mix @ £263/ tonne

Carrying out a feed budget will allow you to make sure you have sufficient forage to see you through the remainder of the winter to allow you to plan for any expected shortfalls. A forward feed budget, prepared for the following winter based on the estimated number of stock you have, will allow you to determine your forage requirement and ensure you have planned to make enough silage or forage crops.

- **Take Action – Prepare a Forage budget, analyse your silage and make a plan for turnout to ensure you are making best use of the feeds you have available.**

## Making Best Use of Grass & Fertiliser

Grass will always be the cheapest feed available on farm and an increased focus on grassland management can reduce the reliance on purchased feed, increase DLWG's and reduce the area required for grazing.

Figure 1 GB GrassCheck Grass Growth. 2022 growth in early summer was exceptional and compensated for reduced fertiliser use, but this won't always be the case.

To achieve maximum grass growth and utilisation and make savings it is important that fertiliser applications and grazing strategies are planned properly.

Make sure soil sampling is up to date. Under and overapplying P&K is false economy. N utilisation is also limited if soil pH is low as shown in the table below.

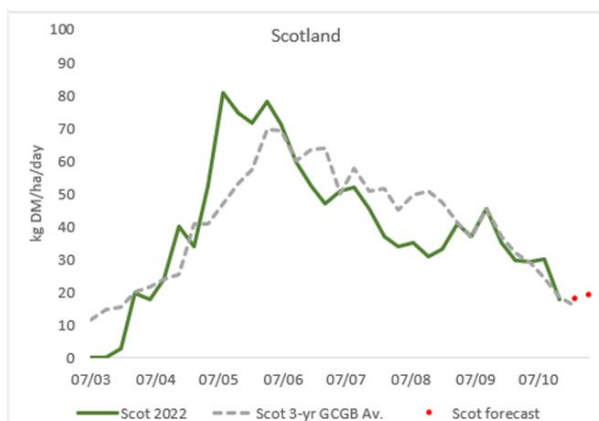


Table 1 Effect of Soil pH on Nutrient Availability

% Nutrient Availability at different pH	N	P	K
pH 5 (very strong acidic)	53%	34%	52%
pH 5.5 (strong acidic)	77%	48%	77%
pH 6.0 (medium acidic)	89%	52%	100%

Analysing organic manures allows the available nutrients to be matched to crop requirements and select the most appropriate fertiliser. Timing and method of application also has an important role to play in the availability of Nitrogen

Table 2 Changes in % of N Available with Different Application Dates and Methods

Cattle Slurry 6% DM	Total N	August - October		November - January		Feb- Apr	Summer
		Sands, sandy Loams	All other soils	Sands, sandy Loams	All other soils	All other soils	All other soils
Surface Applied	2.6	10	30	25	25	35	25
Ploughed	2.6	10	35	20	30	40	n/a
Precision Spread	2.6	10	30	25	25	40	30
Shallow Injected	2.6	10	30	30	30	45	35

Figure 2 Fertiliser Grade Comparison

	Amount (kg/ha)				Application Rate (Product)		Fertiliser Grade				Total Product Required kg	Value per Tonne	Cost/Ha
	N	P	K	SO3	m3/ha	gal/acre	N	P	K	S			
<b>Nutrient Required</b>	<b>210</b>	<b>50</b>	<b>192(90)</b>	<b>80</b>									
Nutrient Supplied from Manures Slurry	40	66	176	6	55	5000	1.6	1.2	3.2	0.7	2% DM	7.22	
<b>Fertiliser Applications:</b>					<b>kg/ha</b>	<b>cwt/acre</b>	<b>N</b>	<b>P</b>	<b>K</b>	<b>S</b>		<b>Cost per/t</b>	
1st Cut	83	15.1	52.7	26.4	377	3.0	22	4	14	7	377	750	£282
2nd Cut	83	15.1	52.7	26.4	377	3.0	22	4	14	7	377	750	£282
<b>Total</b>	<b>205</b>	<b>96</b>	<b>281</b>	<b>58</b>									<b>£565</b>
1st Cut	102	11.3	11.3	37.7	377	3.0	27	3	3	10	377	750	£282
2nd Cut	68	7.5	7.5	25.1	251	2.0	27	3	3	10	251	750	£188
<b>Total</b>	<b>209</b>	<b>85</b>	<b>195</b>	<b>69</b>									<b>£471</b>

The above example shows the potential savings which could be made on a 2 cut silage system just by changing the fertiliser grade to take account of the crop requirement and the nutrients available in the slurry which is applied in 2 applications before each cut.

While the 22:4:14 product exactly meets the Nitrogen requirement for the 2 cuts of silage, P&K are both supplied in excess and sulphur is deficient. Choosing a 27:3:3 product still meets the N requirement, closer matches the P&K and sulphur requirements but saves 126kg of product per ha which at £750/t would save £94/ha. The increased sulphur application will help to boost protein yields in the silage crop, giving potential secondary benefits in ration costs the following winter.

- **Take Action – Have your slurry analysed and take soil samples (funding available through the PSF Fund) and use the example above as a template to work out what fertiliser would be best to use and see if you can make some savings. Alternatively access ILMP funding to have a bespoke farm Nutrient Management Plan produced.**

Set stocking may appear to be the most convenient way to graze cattle and sheep in the summer months after the slog of the winter routine, but by adopting rotational grazing into your management will increase grass utilisation and grow more grass over the summer. The table below shows that a rotational grazing system will increase the usable grass grown per hectare by 56%. Reducing the area required for grazing can free up more ground for silage, allow forage crops to be planted for the autumn and winter months or if you rely on seasonal grass lets, allow the amount required to be reduced

	Annual Yield (t DM/ha)	Utilisation (%)	Usable Yield (t DM/ha)	% increase
Set Stocking	8.5	50	4.3	
Rotational Grazing (3 day moves)	10.2	65	6.6	56%
Paddock (daily moves)	10.7	78	8.3	92%

If you have never tried rotational grazing before, chose a group of cattle which are easy to manage – stores would be easier than cows and calves to get started. Then pick a field (or fields) with easy access and the most convenient water supply. The example below shows that 40 over wintered calves could be rotationally grazed on 14 acres compared with 22 acres on a set stocking basis. Use an electric fencing kit to subdivide the field into paddocks and move the cattle every 3 days.

A group of 40, 300kg stores turned out late March/early April		
Intake per head	300kg x 2.2% BW	6.6kg/DM/head/day
40 heifers	40 x 6.6	264kg/DM grass demand per day
Rotational Grazing – 3 day requirement	3 x 264kg	792 kg/DM
Grass available (pre grazing cover less post grazing cover)	2500 – 1500	1000kg/DM/ha
Paddock size required	792/1000	0.8ha
Area required for 21 day rotation		5.6ha or 14 acres
Compared with set-stocking requirement, 56% more grass		8.7ha or 22 acres

- **Take Action – Identify a group of cattle and an area of your farm to have a go at rotational grazing. See if it works for you before investing in more permanent infrastructure.**


## Challenging Fixed Costs


Fixed costs are often regarded as the hardest to control, but there are savings which can be made by taking the time when renewing contracts and monitoring usage.

### Energy Auditing

For many livestock farms (excluding dairy) the majority of the electricity and oil use will come from the farmhouse, but a considerable amount of fuel can still be used in tractors, pick-ups and other vehicles. There are companies who will carry out a full farm energy audit for you, but there are resources available to allow you to make a start yourself. It is important to involve everyone on the farm in this, they may spot different areas where energy is being wasted and to implement any change, everyone has to be on board. You should follow the steps below to complete your audit or download an online template.

- **Quantify**
  - Keep records of fuel and electricity use
  - Add additional meters if required
- **Benchmark**
  - Average electricity use on beef & sheep farms = 36 – 63kWh/year per head
  - Average fuel use = 8 – 15litres/year per head
- **Identify Savings & Actions**
  - Assess working practices - different drivers can have varying fuel use when doing the same job
  - Prioritise the biggest gains
- **Implement**
  - Start low cost or free options immediately
  - Plan for future investment which may be required.
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- **Monitor**
  - Continue to keep records to monitor progress

Electricity meter record			
Farm:			
Meter Location:			
Year:			
Date	Meter reading	Comments (i.e. current energy use activities)	

Vehicle Fuel record					
Farm:					
Vehicles:					
Year:					
Fill No.	Date	Fuel added (l)	Hours run meter reading	Tasks undertaken since last fill	

## Are you Getting the Best Deal

It is important to spend the time researching prices to make sure you are getting the best deal when making purchases and renewing contracts. Using brokers for arranging electricity renewals can give you a feel for what the market is doing, but always contact your existing supplier direct for a quote, they often can offer a better deal than what is given on the renewal letter.

Shop around when buying fuel, non-prescription medicines, feed, fertiliser etc. If things are really tight then you may have to forego loyalty over price.

Make use of fuel price apps for white diesel and petrol to ensure you are filling up at the cheapest local station.

## Preparing a Cashflow

**Pulling together a cashflow is a vital tool in allowing you to see how your bank balance is going to fluctuate over the coming months, highlighting where there may be surplus funds for unexpected costs or investment or where discussions may be needed with the bank regarding overdraft facilities.**

The basic information you will need to gather before you start your cashflow is listed below.

Income	Expenditure
Cattle sales – number & predicted £/head	Existing regular DD's & SO's (£)
Sheep sales number & predicted £/head	Monthly feed use (tonnes & £/t)
SSBSS payment (April/May)	Planned Vet & Med
Other income	Fuel requirement (diesel & oil)
	Known vehicle costs (service, MOT, tax etc)
	Loan/HP repayments/Bank charges
	Fertiliser payments
	Admin (phone, accountant, SAC etc
	Drawings & Tax due
	Insurance
Current bank balance & OD limit	Contractor – slurry, reseed, crop etc

You can then use this information to pre-populate your cashflow by recording payments and receipts in the months you expect to receive or pay them. A fully interactive cashflow spreadsheet is available on the Farm Advisory Service website, but using a simple template such as the one shown below can be just as effective.

Month	Jan	Feb	Mar	Apr	May	Jun	July
<b>INCOME</b>							
Cattle Sales							
Sheep Sales							
Subsidy							
Other Income							
VAT Repayments							
<b>TOTAL INCOME (a)</b>							
<b>EXPENDITURE</b>							
Property costs inc electricity, heating oil							
Vehicle Costs (fuel, tax etc)							
Loan and HP Repayments							
Insurance							
Bank charges/interest							
Household Drawings							
Wages							
Admin (phone, professional fees)							
Vet and Med costs							
Feed Costs							
Contractor costs							
Fertiliser payments							
<b>TOTAL EXPENDITURE (b)</b>							
<b>CASHFLOW FOR PERIOD (a-b)</b>							
<b>OPENING BANK BALANCE +/-</b>							
<b>CLOSING BANK BALANCE +/-</b>							



There are some simple steps you can take to ease cashflow in the short term

- Submit VAT returns monthly instead of quarterly means you will get VAT refunds back in quicker. This is easy to do on the HMRC website.
- Using online banking gives you more control over when bills are paid and money leaves your account. Charges for online transactions are also significantly cheaper than using cheques, not to mention the saving on stamps!
- Check due dates on invoices, some suppliers have longer payment terms than others. Also watch out for credit charges
- Discuss direct debit options with suppliers which can spread the cost across the year, reducing spikes of expenditure at peak times
- Monitor usage – calibrate dosing guns and the fertiliser spreader to ensure products are not being wasted.
- Plan ahead when heading to the merchants to ensure all expenditure is planned.
- Speak to your vet – plan for lambing & calving, review all planned routine treatments, preventative vs treatment
- Review labour requirement – ensure there are enough people to carry out tasks safely, but could you share a worker with a neighbour to reduce costs?

## **Making the Most of Accounts Software**

**The introduction of Making Tax Digital means all businesses need to use electronic accounts software to keep the accounts. While the change has brought challenges to some, it has also brought opportunities to have more financial control of your business. To get the most out of your accounting software it is preferable that someone within the business is in control of managing the accounts, but even if your accountant or bookkeeper completes your VAT submission, there are still things you can do to make the information more relevant to your business.**

1. Don't avoid opening the envelopes, add sales invoices and bills as soon as they arrive. This way you can keep better track of what to expect.
2. Most software packages will display a note of outstanding receipts and payments giving you a snapshot of what you owe and what is due in, allowing you to plan. Some will also have the ability to produce an actual cashflow for the previous year which makes preparing a cashflow budget more informed.
3. If your business has more than one enterprise then take the time to allocate invoices to the specific enterprise to which they apply. This can be done to a certain extent with nominal codes, but if your software allows, then allocating costs to enterprises allows you to run management Profit & Loss for each enterprise and see where costs are being incurred.

## **Key Take Home Messages**

- **There are no silver bullets, but taking time to implement change can have a big impact.**
- **Everyone in the business has to be clear about the financial situation and be focused on controlling costs.**
- **Gather information about your business, making you better prepared to take action when required.**
- **If you are facing difficulties don't struggle alone. Help is available from your accountant, bank manager, farm consultant, the Farm Advisory Service and charities such as RSABI.**

## Further Reading

[Beef: Input Costs | Helping farmers in Scotland | Farm Advisory Service \(fas.scot\)](#)

[A Guide to Feed Budgeting | Farm Advisory Service \(fas.scot\)](#)

[Business tools & resources for farmers from Farm Advisory Service \(fas.scot\)](#)

[Farming for a Better Climate - Farming for a Better Climate](#)

[Responding To The Energy Crisis | Helping farmers in Scotland | Farm Advisory Service \(fas.scot\)](#)