

Scottish Dairy Business Impact Groups KTIF/002/2015

Project final report – June 2019

AHDB is a statutory levy board, funded by farmers, growers and others in the supply chain to help the industry succeed in a rapidly changing world. We want to create a world-class food and farming industry, inspired by and competing with the best. AHDB Dairy collects levy from all GB dairy farmers.

Executive Summary

During 2016 AHDB recruited 43 Scottish dairy farmers to participate in 6 region business groups and benchmark their financial performance. Most did not actively participate in subsequent planned business group meetings or benchmarking during 2017 /18.

Significant staffing changes and rapid staff turnover at AHDB impacted 5 or the 6 business groups making consistent delivery impossible and is likely to have impacted the farmers trust and confidence in the project. Facilitation of the Aberdeen & Stirling group was contracted to Saviour Associates, the group met regularly and consistently throughout the project life.

Key learnings and insight from the project have been combined with wider industry experience and feedback to inform the development and roll out of farmbench.

Project Description

The Scottish Dairy Business Impact Groups project proposed to establish a number of new Scottish Dairy Business Impact Groups. The participating farmers will benefit from benchmarking and knowledge exchange activities, helping stimulate improvement in the businesses physical and financial performance and allowing them to operate more sustainably.

Financial support awarded and spend to date

The project grant offer (16-10-15) was for a maximum of £222,330 with a timescale of October 2015 – September 2018, with a total project expenditure predicted to be £309,640. Giving grant rate of 75%.

In the year January 2016 – December 2016 the project had £57,179.94 of actual costs – lower than the maximum predicted in the application of £90,480. The grant claim for 75% of the eligible actual costs during the period was £42,884.95

In the year January 2017 - December 2017 the project had £32,461.66 of actual costs, the maximum predicted in the application for the period was £90,480. The grant claim for 75% of the eligible actual costs during the period was £24,346.24

In the year January 2018 – September 2018 (project end) the project had £21,919.54 of actual costs, the maximum predicted in the application for the period was £67,860. The grant claim for 75% of the eligible costs during the period was £16,439.66

The total actual cost incurred over the full life of the project was, £111,561.14, only 36% of the predicted total spend. The total grant claimed during the full life of the project was £83671.56.

Project Start & End Dates

The grant offer letter dated 16/10/15 states the grant period is October 2015 to September 2018

Project aims/objectives

The application listed 2 main objectives each with a number of sub points

Direct benefit participating Scottish dairy farmers by:

- Improving physical and business performance/profitability.
- Reducing cost of production.
- Knowledge transfer of best practice using industry recognized experts.
- Knowledge transfer via facilitation of peer to peer discussion.
- Improving long term business viability and sustainability to cope with volatile markets.

Benefit the wider Scottish dairy industry by:

- Improving long term sustainability and viability of the national milk pool.
- Engaging with Ambition Review 2025 and Dairy Action Plan (March 2015).
- Confirmation to milk purchasers that their primary supply chain is working to best efficiency, to attract possible inward investment.
- Re-assurance to the rest of the supply chain from retailers to consumers of increased uptake of best practice to deliver a quality Scottish product.
- Improved animal health and welfare.
- Reduction of greenhouse gas emissions through improved efficiency to help meet the Milk Roadmap ambitions.
- Equipping producers to meet the strategic export demands of the Scottish Dairy Growth Board, which was a key recommendation of the Scottish Ambition 2025 report.

Project Outcomes

During 2016 six Business Impact groups were established covering many of the main milk fields in Scotland, 3 of the groups (Orkney, Aberdeen and Borders) were based in areas where there has previously been limited dairy knowledge exchange activity due to geographical isolation and sparse milk fields.

All the farmers in each group were visited by a member of the Farm Economics team at AHDB and helped to individually complete a financial benchmarking exercise. A feedback meeting was then held with each group where individual results were discussed and each business had the opportunity to compare their figures across the group. Many of the recruited farmers had not previously benchmarked, and found the process very challenging.

In addition to benchmarking each group benefited from a number of technical meetings, with input from a range of respected experts and speakers covering topics such as “use of genomics in cattle breeding” with Andy Dodd technical expert from AHDB “calf rearing” with Willy McCarthy a vet, “reducing your feed costs” with Tim Davies a senior consultant at Kite

Group Location	No participants	No dairy farm businesses	Demographic/notes	Aim
Orkney	5	5	Second generation	To have sustainable milk field in Orkney
Dumfries	5	5	Family farms (1 robotic, 1 new entrant)	To be able to survive volatility
Ayr	10	8	Family farms who have faced extremes of volatility	To become more resilient and use lessons from past to future proof businesses.
Stranraer	9	9	Young farmers (<35 years old)	To gain full understanding of businesses to allow future succession
Lothian & Borders	8	6	Progressive family farms; 2 in conversion to organic	To reduce costs to become more profitable
Aberdeen & Stirling	10	10	Mixture of systems, progressive outlook	Share opportunities and challenges.

43 dairy farm businesses participated in some discussion group activity, and benefited from the social and business support this offers. Expert technical input and advice was tailored to meet the needs of each group. The Ayr Business Impact Group acted as a catalyst for the successful establishment of buyers group, with the aim of achieving savings for the farmers through pooling of purchasing decisions and benefitting from the economies of scale.

Unfortunately only the Aberdeen & Stirling met consistently and regularly throughout the project lifespan. The remaining 5 groups met infrequently, some only met during the first year of the project (Dumfries) others met sporadically throughout the project but did not follow the anticipated pattern of meetings or annually benchmark.

Realistically this means that none (or very few) of the wider industry benefits were realised.

The significantly reduced benefits are reflected in the total project spend and grant claim both of which are approximately 1/3 of the original prediction.

Challenges, issues and lessons learned

Three key challenges emerged in delivering the Scottish Dairy Business Impact Groups:

- staff changes at AHDB Dairy,
- enthusiasm / commitment of the farmers to engage in the financial benchmarking exercise,
- lower overall expenditure than predicted.

1. AHDB staff changes and subsequent challenges impacted 5 groups directly facilitated by AHDB (Orkney, Dumfries, Ayr, Stranraer and Lothian & Borders). The management and facilitation of the Aberdeen & Stirling group was contracted to a third party (Saviour Associates) and as such has been immune to the problems outlined below.

During the delivery of the project the established AHDB Dairy Knowledge Exchange Manager, Sharon Lauder secured a new post at First Milk and in the spring of 2017 left her role at AHDB, this resulted in a 'pause' in meeting activity for 5 of the groups whilst AHDB recruited a replacement KE manager.

Iain Pirie took up the post of AHDB Dairy Knowledge Exchange Manager in the autumn of 2017 and met with members of each group to re-establish contact and deliver facilitated group meetings with expert technical input. Iain did not stay with AHDB very long, and left his employment in the spring of 2018, this resulted in a further 'pause' in meeting activity for 5 of the groups whilst AHDB recruited a replacement KE manager. Chris Stockwell took up the post of AHDB Dairy in September 2018, when the project had officially finished. AHDB recognises that farmers in 5 of the groups did not receive all the expected delivered outcomes, and is currently working with the farmers that wish to engage to agree a plan of activity during 2019, all future activity will be funded directly by AHDB. It is likely that 3 groups, Ayr Aberdeen & Stirling and Orkney will continue to engage with AHDB and benefit from business/ technical input, the Ayr have also expressed continued interest in business benchmarking.

The management and facilitation of the Aberdeen & Stirling group was contracted to a third party (Saviour Associates) and as such has been immune to the problems outlined above. That group has met regularly and consistently throughout the term of project including a number of study tours to inspiring and successful farmers outside the region.

2. Enthusiasm / commitment from the farmers to engage in financial benchmarking. As farmers were signed up to join a group the requirement to submit data and take an active role in benchmarking was clearly and explicitly explained. Unfortunately the initial benchmarking coincided with a very challenging time in the GB dairy sector and saw farm profitability under intense pressure with some areas of Scotland particularly impacted. Each farmer did initially submit data, but as the stark figures became apparent and seemed highlight significant business difficulties a number of the initial farmers decided to withdraw from the benchmarking project.

During the summer of 2018 members of each of the 5 effected KTIF groups were contacted by AHDB and kept informed of the staffing issues faced and planned activity to ensure some of the project objectives could be met. Bespoke data collectors (Caroline Montgomery and Colin McPhail) were contracted to work for AHDB and visit the participating farms to complete another benchmarking exercise. Many of the farmers have not been able to complete the exercise as appropriate data was not available. Five farms in the Ayr group successfully submitted data and

participated in a formal benchmarking feedback session. Some individual farmers also submitted benchmarking data, but not enough from any group to justify formal group feedback meeting.

3. Lower overall expenditure than predicted. The project did not gain final approval until mid October 2015 with 'on the ground' activity not starting until January 2016. During 2016 the project spend was approximately 2/3 the predicted level, with the major savings (underspend?) in the area of meeting expenses and technical speaker fees. During both 2017 and 2018 underspend was largely driven by reduced activity with fewer knowledge exchange meetings delivered than originally predicted (because of the reasons outlined in points 1 & 2 above)

The lessons that can be learnt and shared from this project are centred around three areas

- a. Realistic scheduling of activity and spend should include time at the both the start and finish of a project when no (or limited) expenditure is predicted.
- b. Staff turnover on a small project will have significant impact of deliverables
- c. Benchmarking – and sharing openly- financial data is recognised as a characteristic of top performing farmers, but many farmers are not ready or comfortable to participate. Access to a benchmarking tool or help with data input does not appear to be the limiting factor. The mind-set of the farmer and a willingness to dispassionately look at business performance is vital.

Communication and Engagement.

During early 2016 AHDB sent invitations (post) and reminders (text and email) to farmers in the 6 selected areas inviting them to express interest in joining a business group. A number of press releases were issued. This activity was complimented by twitter and website communications from the Scottish Dairy Hub.

AHDB had direct face to face contact with most significant dairy farming stakeholders that operated in the selected regions. Milk processors were considered a key point of contact, with first Milk, Woodcocks dairies, Grahams Dairies, and the Orkney Cheese Company all asked to contribute and inform relevant farmers of the opportunity. Other stakeholders including NFUS and SRUC also highlighted the opportunity to dairy farmers.

Stuart Martin (Scottish Dairy Hub) manager actively engaged with a number of the established groups and worked closely with individuals from the groups on solutions to individual challenges.

AHDB has used one member of the Lothian & Borders group as a case study and exemplar of the benefits of whole farm benchmarking

Key Findings

Recruiting non engaged farmers to a business group that requires all members to benchmark key financial data is challenging – but possible.

Changing the outlook of those farmers to see value and benefit in benchmarking and encouraging them to benchmark in future years is very challenging and in many cases requires a different campaign approach.

Conclusion

AHDB would like to place on record its thanks to Scottish Government for the support it has offered and the operational grant monies supplied.

AHDB is grateful for the commitment and enthusiasm of all the farmers who took part in one of the business impact groups.

The outcomes of this KTIF project combined with insight from other benchmarking projects across GB, has informed the development of a new more intuitive tool “farmbench” a bespoke self-upload benchmarking tool that farmers can use in group and individual settings. Learnings from the project have also helped shape future strategies of AHDB engagement to encourage farmers who do not currently benchmark to ‘have a go’.