

# SUSTAINABILITY MEANS PROFITABILITY



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# Sustainability means profitability



Turnover of Scottish Agriculture	£3,000m
Total income from farming	£600m
(including farm support)	£550m
Income per 65,000 in Scottish agriculture (or £4 per hour)	£9,000 p.a.

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	<b>1950</b>	<b>2005</b>	<b>2010</b>
Farmers share of retail	40%	29%	24%

- If farmers share returned to previous levels – income for farmers would double
- Supermarkets are our customer – need to work with not against
- Supermarket margins v farming returns

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Scottish population 5m

As a % of European population 1%

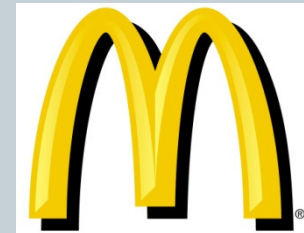
As a % of World population 0.1%

- For the future we must notice the rest of the world

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## China

- 22% of world population
- 7% of world arable land
- Cheap labour
- Moving on from chicken and rice
- Little food imported (dairy from NZ)
- MacDonald's in China
- Tesco investing heavily in China



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## **Scottish Agriculture**

### **ADVANTAGES**

Water

Access to markets

Favourable climate

### **DISADVANTAGES**

Cost of labour and land

Small scale of farms

Hostility of climate

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## **Strathisla Farms Approach**

- Target low labour extensive products (opposite of China)
- Beef and grain – no fruit and vegetables
- Reduce volatility by horn/corn balance
- KISS!

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## **Strathisla Farms**

<i><b>Owned</b></i>	<i><b>Hectares</b></i>	<i><b>%</b></i>	<i><b>Grass</b></i>
Grade 2	234	39	13
Grade 3i	81	13	5
Grade 3ii	232	38	113
<i><b>Rented</b></i>			
Grade 3ii	60	10	55
<b>TOTAL</b>	<b>607</b>	<b>100</b>	<b>186</b>

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## **Strathisla Farms – Beef enterprise**

- 45 Charolais, 60 Simmental and 150 commercial COWS
- Taken from birth to slaughter – bulls kept entire
- Housed on straw November – March
- Output – 75,000 dwt kg on 186ha = 400kg/ha or £1160/ha
- 2 stockmen
- Targets discussed

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## **Strathisla Farms – Grass management**

- 740 mm rainfall
- 7-year rotational grass
- Silage on 1/7 of area
- Rental based 100% on beef price - goes up and down with deadweight price

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## **Strathisla Farms – Pedigree**

- Expect to sell 25% of bulls for breeding
- Spend 35% of value on replacement bulls
- Pedigree premium 4% (£30,000 on £800,000)

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## Strathisla Farms – Costings (£,000)

Fixed costs	Labour	£52	
	Other	52	£104
Variable costs	Feed	£75	
	Other	55	128
			<u>£232</u>

- Spread over 75,000 deadweight kg - £3.09
- QMS top third - £3.30

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## Common Agricultural Policy

	Post war	2010	Income benefit
% household income spent on food	35%	9%	+26%
Cost of CAP		E45bn	
Cost of CAP as % household income		1%	-1%
Consumer benefit			<u>+25%</u>

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CAP will change in 2013.....

- Need to show public benefit beyond 25% income improvement
- Affordable food
- Desirable environment
- No support for the opposite
- Public benefit will include carbon reduction

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## **Conclusions**

- Our approach gives a pre tax margin of 35% including subsidies and 15% excluding subsidies
- Our vision of sustainable profitability hinges on the increasing importance of China and the likely fall in agricultural support
- The importance of corn/horn balance