MONITOR COSTS IN TANDEM WITH PURSUING ENVIRONMENTAL AMBITIONS

Entering a Sustainable Farming Incentive (SFI) or Countryside Stewardship (CS) scheme provides an ideal opportunity to undertake a whole-farm cost review, explains CLM's Oli Pilbeam.

"£673/ha? I may as well put my entire farm down for that."

That's a comment I've heard a lot over the past 12 months. It's true, some of the SFI and CS options do sound financially appealing, especially given the volatility of grain markets, fertiliser prices and increased costs of generating working capital.

Factor in the need to make up for lost BPS payments and it's not surprising that a lot of us here, for example, on heavy Sussex soils, are tempted by payments of £673/ha (£272/acre) for flower-rich margins and plots or £593/ha (£240/acre) for the two-year sown legume fallow.

A lot of farmers are drawn to these schemes because of their desire to enhance the environment, but there are also advantages to receiving these 'guaranteed' payments. It spreads risk. The BPS payment arriving in our bank accounts every December effectively did (and to a lesser extent still does for the time being) that.

But we need to recognise that these new support schemes are not a direct replacement for BPS. Far from it. It's important to consider the true costs that result from participation, rather than considering them as an afterthought.

Seed costs from £100 to £250/ha (£40-£100/acre) can quickly erode the margin on some options. Unlike BPS, farmers have an obligation to perform and a prescription to which to adhere. If seed costs are a one-off expenditure, fine, but what if you end up having to spend more in year three or four? It's not impossible that you end up spending two or even three-times what you initially budgeted.

Because seed is a relatively small percentage of overall costs for combinable crops, farmers don't always focus on it as much as they should. Within stewardship schemes, though, there is money to be saved by shopping around and tailoring mixes.

In the past, farmers tended to drill their combinable crops and then turn their attention to the stewardship scheme and get the seed in the ground regardless of

Photo: **David Calvert / Shutterstock.com** conditions. Now payments (and seed costs) are higher, it's important to get maximum value by sowing it at the right time into the right seedbed. Stewardship crops are slowly moving higher up farmers' priority lists considering the money that is now involved. Timing in both establishment and management is as critical as it is with conventional cash crops.

These specialist crops are incredibly diverse and require high attention to detail, taking more management for a hectare of flowers than for a hectare of wheat. These options need to be walked as regularly as any other crop to get the most out of them, both practically, financially and environmentally.

My role as an agronomist for Chichester Crop Consultancy (CCC), which I do in tandem with consulting for CLM, really gives me a 'ground-up' view of progressive agricultural businesses, helping me understand the opportunities and issues that new schemes can bring.

The two roles have a real synergy. When I'm crop walking, I can view agronomy issues in the context of the whole-farm business and my advice can encompass farm business strategy. When I have my consultant's hat on, I find my hands-on crop (and livestock) experience is invaluable.

It's important, for example, to focus on reducing overhead costs if entering an environmental scheme. It may bring an opportunity to spread workloads, reducing labour hours, as well as providing opportunities to re-evaluate and slim down your machinery inventory – selling, say, a tractor if it rarely does more than 200 hours a year.

Focus on what is practically required to manage your commitment. 'Cut and remove' options require specialist equipment, whereas 'mulch and incorporate' requires flail mowers and mulchers.

Large rotational options may require a more traditional topper, but at wider widths to get over the land quicker, especially when you would be topping the same option four or five times within the first season for optimum blackgrass control. I have seen some poorly managed AB15 options which have actually increased the blackgrass burden on some farms when not managed at the correct timings.

Ask yourself what you can realistically achieve. Can you manage with your current machinery, or do you need to 'gear up' with smaller equipment? Do you need that big combine, the finance payment on which has risen with inflated interest rates, or can you scale down now that possibly 20% of your land no longer requires combining? Is your contract farming agreement the right arrangement now that the goalposts have moved?

While farmers are contractually obliged to manage the options under CS correctly, to make it pay we must resist the urge to spend large sums of capital doing so. If you need to add front-mounted and rear-mounted flails or a new fancy tractor with front PTO to your machinery list, the savings made in direct costs can soon become masked in over-expenditure on indirect costs.

Meanwhile, now a proportion of your farm is in stewardship there might be an opportunity to reduce your labour bill, as some of the work won't clash with the traditional peak combining period.

Entering schemes such as CS and SFI makes a lot of environmental sense, boosting biodiversity, improving soil health and contributing to such aims as cleaner water, but it can also make great financial sense. It's important, though, to make decisions about participation in the context of your whole business, especially when it comes to costs.

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Oli Pilbeam, who joins the CLM team this month, is an experienced farm manager, having run a 2,800ha arable business in Lincolnshire. He also has experience of dairy and sheep enterprises.

Originally from East Sussex, he is 'returning home', becoming the fifth generation on the family farm, which comprises arable, livestock, commercial lettings and a solar farm. Oli will provide a complete farm management consultancy service to CLM clients, assisting with budgeting, overhead costs analysis, benchmarking, farm business strategy plans and succession planning in tandem with carrying out agronomy throughout Kent and Sussex for the independent firm Chichester Crop Consultancy (CCC).

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