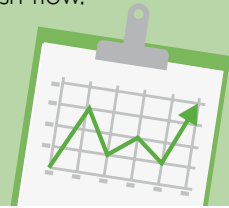




## FORECASTING YOUR CASH FLOW FOR 2016

Suggestions for preparing a budget for your business and how to forecast your cash flow.



## DEMONSTRATION NETWORK

### COLEG CAMBRIA LLYSFASI

In this issue – Coleg Cambria Llysfasi discuss their ambitious new project - evaluating the role of sire genetics in lamb mortality.



# INTRODUCTION



WELCOME to the second issue of Farming Connect's technical publication for farmers and foresters in Wales.

Published bi-monthly, it includes easy to digest facts and figures about a range of technical matters, along with the latest information and research from our new Knowledge Exchange Hub, which aims to enhance the links between researchers and the farm and forestry sectors.

It also includes updates and results from trials undertaken on Demonstration Sites across Wales, aiming to test and prove new innovation and technology in a practical and commercial setting.

We hope that our FC technical publication will provide you with a quick overview on technical aspects of the project, allowing you to access the latest information to benefit your business.

**Prof. E. Wynne Jones**

Chair of the Farming Connect Strategic Advisory Board.

## Farming Connect

- a new, enhanced programme of support for farmers and foresters in Wales.

Register for the new programme today!

08456 000 813

<https://businesswales.gov.wales/farmingconnect/farming-connect-registration>

## Making the most of nutrients this spring in your grassland

Chris Duller, soil and grassland specialist

**Efficient nutrient use is all about converting as much nitrogen (N), phosphate (P) and potash (K) as you can into milk or meat; and wasting as little as possible. Unfortunately nutrients can be easily lost, either in solution in drainage water, lost as gases to the atmosphere or washed from fields and yards in run-off.**

Early spring is a key time for nutrient loss from fertiliser and slurry, particularly nitrogen, as weather conditions are frequently poor, soils are still cold and wet and grass growth is slow. Good decisions made now about application rates and timings can mean the difference between growing lots of valuable spring grass or risking wasting the majority of the nitrogen.

Soil temperature is one key factor affecting the response of grass to applied nitrogen. If soils are below 5°C neither the grass plant or soil bacteria are active enough to use the nitrogen, meaning it is at greater risk of leaching from the soil.

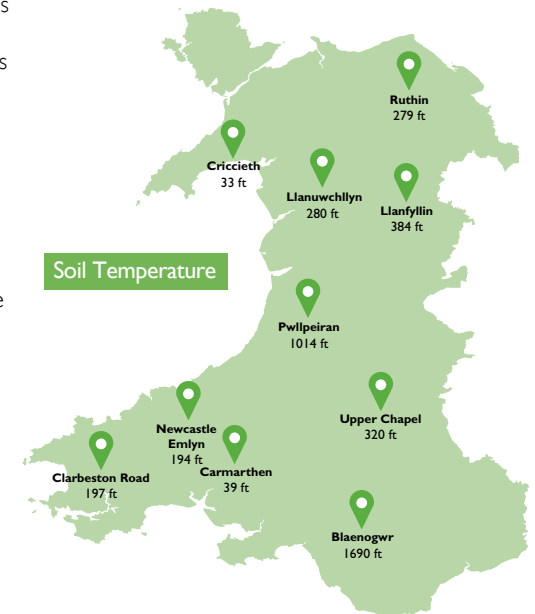
The Farming Connect website publishes daily soil temperatures from a network of monitoring sites across Wales to help farmers make informed decisions about when to spread. Don't be fooled into rushing out on the first pleasant warm day, as air temperatures are often significantly different to those in the soil – check the soil conditions before you go.

This year, soil temperatures held up right through January and early February, but have now dropped in some areas to under 5°C. The mild wet winter has meant grass growth has continued but soil nitrogen levels are low, due to both leaching and denitrification. If soil temperatures do stabilise above 5°C then getting nitrogen out should be a priority, particularly where there is a significant grass cover which is at risk of losing quality without a nitrogen input. Nitrogen applications should be kept to under 40kgN/ha (32units/acre) whilst temperatures are still low and soils are close to saturation. Ground conditions will be a limiting factor for many – any wheel damage done now will have a major knock on effect on later growth and soils may take months to recover.

There are many other factors that can improve early season nutrient use and promote a strong response to nitrogen - these include having a high proportion of ryegrass in the sward, good soil structure with plenty of air space and earthworm activity and having the correct levels of pH and phosphate and potash in the soil.

For example Yorkshire Fog has been shown to be only 40% as responsive to nitrogen as Ryegrass; Annual Meadow Grass fairs even worse at 17%. Research has shown a reduction in grass growth by almost 50% where phosphate levels are low and a further 10% reduction by having soil pH below 6.

Regular blog updates and articles looking at these issues and advice and guidance provided by Chris Duller and Farming Connect Red Meat Technical Officers, Lisa Roberts and Gethin Davies will be published on the Farming Connect website over the coming weeks - so make sure to visit <https://businesswales.gov.wales/farmingconnect/news-case-studies/post-type/soil-and-grassland-blog>.



Farming Connect offers an online soil temperature tool to assist farmers with grassland management decisions. Data is provided by Natural Resources Wales and updated daily.



## COLEG CAMBRIA LLYSFASI

Evaluating the role of sire genetics in lamb mortality

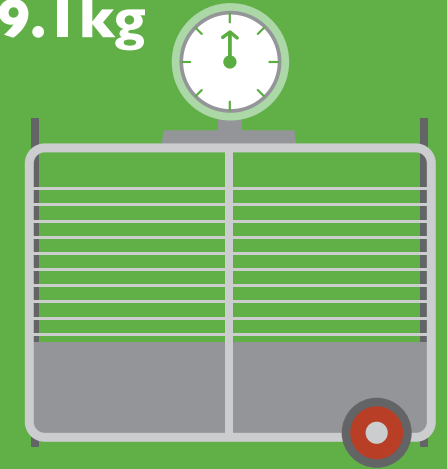
### FLOCK KPIs



BARREN RATE **3.6%**  
.....  
AVG BODY CONDITION  
SCORE - **2.85**

**96%**  
OF FLOCK AT  
BCS 2.5

AVG EWE BODY WEIGHT  
**49.1 kg**



Coleg Cambria Llysfasi near Ruthin has a long history of providing agricultural education for the next generation of farmers, with many current Welsh farmers past students of the College. The 1,000 acre farm, which includes dairy, beef and sheep enterprises was recently appointed an Innovation Site for Farming Connect.

This lambing season will see Llysfasi undertake an ambitious project which incorporates the latest DNA and EID technology in order to try and reduce lamb mortality during this key time of year and make every lamb count.

The project, which will focus on the hardy Welsh mountain flock will aim to establish if

there is a link between lamb losses and sire genetics. Using an innovative approach, the sire of any lambs that do not survive or those assisted at birth will be determined using DNA analysis.

With lambing taking place outdoors, the ewes will be numbered with spray marker pre lambing – this will eliminate the need to physically catch the ewe in order to link the lambs to their mother, which can be time consuming and lead to mismothering. Through performance recording and EID technology, the ewe's body condition scoring (BCS) history from scanning up to lambing will be known as this is widely accepted to be a major factor in lamb survival rate.

The large amount of information collected should allow us to determine the extent sire genetics affects lamb mortality compared to ewe management. In this extensive system, typical of many Welsh upland farms, lamb vigour at birth is critical. In light of this, post-mortem analysis will be undertaken on any lamb losses, in order to differentiate between those which were not born alive and those that were born alive but did not suckle.

The project findings will add valuable information to our understanding of the main driving factors in lamb mortality and more importantly what can be done to get the percentage of lambs reared closer to the scanning percentage.

“The College is keen to undertake this work as we recognise the added contribution a better lamb survival rate can make to a farming business and the fact that we should be less willing to accept lamb mortality rates at face value. The use of DNA and EID technologies will help us with information gathering at a very busy time in the farming calendar.”

Dewi Wyn Jones, Llysfasi farm manager

Regular updates on this project will be available on our website

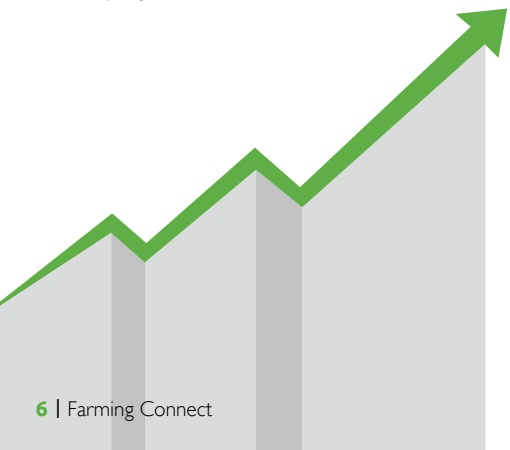
[www.gov.wales/farmingconnect](http://www.gov.wales/farmingconnect)

# Forecasting your cash flow for 2016 and preparing a budget

With all sectors in Welsh agriculture facing difficult trading conditions during 2015, and this trend is likely to continue during 2016, it will be increasingly important to prepare a budget for your business and to accurately forecast your cash flow requirements.

The agricultural banking sector is increasingly requesting more detailed business performance information from farmers including management information and cash requirements for the short and long term. Whereas a few years ago, most farms could request an overdraft increase from their manager over the telephone; these days they request cash flow forecasts in most cases to support the application.

Unless you prepare a budget and cash flow forecast, it is impossible to assess whether you have sufficient tolerance within current funds or any agreed overdraft limits.



## WHY PREPARE A BUDGET?

- 1 Ascertain cash flow requirements for next 12 months
- 2 Control your finances
- 3 Ensure you can continue to fund your current commitments
- 4 Ensure you have enough money for your future projects
- 5 A greater ability to make continuous improvements and anticipate problems
- 6 Sound financial information on which to base decisions

Numerous farmers argue that it is impossible to prepare an accurate forecast, since prices for commodities can change radically within 12 months, and one can never foresee the tractor breaking down or terrible weather at lambing etc.

However, a forward budget will at least provide a base to work from, or a target to try and achieve. If there are legitimate reasons why the actuals differ from budget later in the year, then these need to be addressed and managed appropriately.



## WHERE DO I START?

When preparing your budget and cash flow forecast, there are a few key steps to follow to make sure your budgets and plans are as realistic and useful as possible.

### 1. MAKE TIME FOR BUDGETING

Perhaps investing time in preparing a business budget is not high on the long list of priorities, however if you invest some time in creating a realistic budget, it will be of a greater value to your business and inevitably more accurate in assisting any business decisions.

### 2. USE LAST YEAR'S FIGURES AS A GUIDE

It is crucial to have the most up to date actual cash flow figures available when preparing next year's budget. Unless information on actual monthly income and expenditure is available, it is difficult to forecast accurately. Relying on an accountant's report, which is usually 18 months out of date is not suitable.

If this information is not readily available, then analysis of the last 12 months' bank statements would be recommended.

### 3. CREATE REALISTIC BUDGETS

Use historical information along with any changes in enterprise size, mix or performance to budget.

Begin by asking these questions:

- **What are the projected income streams for the budget period?**

Be realistic - if you overestimate, it will cause you problems in the future.

In agricultural businesses one would expect the following to be included within sales; livestock sales, milk sales, wool sales, crop sales, BPS payment, Glastir income, contracting income, wayleaves, VAT refunds and any other miscellaneous income. In terms of livestock/produce sales, detailed predictions can be calculated by preparing detailed enterprise gross margins, however this is not always necessary.

- **What are the direct/variable costs of production for the budget period?**

i.e. costs directly associated with keeping the livestock or growing the crop, such as feeds, fertiliser and seeds, vet and med, livestock sundries, dairy chemicals and AI costs, forage costs, auctioneers' commission etc.

#### • **What are the fixed costs or overheads?**

You should break down the fixed costs and overheads by type, for example;

- vehicle expenses including fuel and contracting and haulage
- cost of premises including rent, property repairs and maintenance
- staff costs e.g. wages, PAYE, self employed staff
- utilities e.g. heating, lighting, telephone, rates, water
- printing, postage and stationery
- legal and professional costs including insurance
- sundries
- bank charges including interest charges

#### • **What are the capital expenditure, private drawings, taxation and debt repayment requirements?**

Ensure that you have included sufficient funds for private drawings including private life insurance and pensions as well as income tax liability.

Calculate monthly loan or HP repayments as well as likely capital expenditure during the period.

Once you've got figures for income and expenditure, you can work out how much

money you're making. You can look at costs and work out ways to reduce them. You can see if you are likely to have cash flow problems, giving yourself time to do something about them.

#### **4. INVOLVE THE RIGHT PEOPLE**

If you employ any staff, involve them with the preparation of the forecast. This involvement will give them greater commitment to meeting the budget. There is a significant emphasis within the new Farming Connect scheme on business planning, and there are Business Plan workshops available as well as one-to-one business surgeries. Businesses may also benefit from over £1,000 worth of business and technical advice, available on both a one-to-one and group basis under the Farming Connect Advisory Service. Each business can apply for funding up to four times.

#### **5. REVIEW YOUR BUDGET REGULARLY**

When you've made a budget, you should stick to it as far as possible, but review and revise it as needed. Most banks now require budgets to be monitored regularly which is an excellent discipline to follow. If one has to justify all costs on a regular basis, then more thought is usually given to the necessity of the spend.

#### **KEY MESSAGES FOR 2016**

- Under the current difficult trading conditions, preparing an annual budget and monthly cash flow forecast is of utmost importance.
- Ensure that realistic prices are used for stock sales/milk sales and be conservative with numbers of stock to sell/litres produced etc – do not overestimate as this may cause problems later on. It is far better to outperform the income targets than fall short.
- Calculate the 2016 BPS payment expected using the calculator available online at <http://gov.wales/topics/environmentcountryside/farmingandcountryside/farming/schemes/basic-payment-scheme/basic-payment-scheme-payment-calculator/?lang=en>
- Base the forecast figures on last year's actuals. Producing a forecast which is far better than the performance achieved last year will only raise further questions. If there is a particular reason that the performance should improve, then this should be explained in detail.
- Include as many assumptions to your budget as possible i.e. detail as to how you will achieve the figures.

For support and training, the Farming Connect Lifelong Learning and Development Programme offers 80% funding for completing short accredited business management related training courses. These include topics such as financial recording, understanding accounts, managing cash flows and business planning.

For more information on courses, training providers and how to apply for funding please visit

<https://businesswales.gov.wales/farmingconnect/training>



*Cara Wales Ltd,  
agricultural and rural  
consultancy and advice*

# VENTURE

**VENTURE is a new joint opportunities platform developed for Farming Connect to help match established farmers and landowners with new entrants looking for a way into farming.**

Venture provides support, guidance and personal and business development opportunities which will be stepping stones for both people seeking a route into farming in Wales, as well as individuals looking to grow their existing businesses or those wishing to step back from the industry.

An integrated package of training, mentoring, specialist advice and business support will equip both parties with the skills, knowledge and confidence needed to help them achieve their goals.

After holding the first two of its four Venture roadshows, Farming Connect had received 65 expressions of interest in the scheme – 63% from new entrants and 37% from established farmers.

For more information about Venture, go to <https://businesswales.gov.wales/farmingconnect/venture> or contact your Farming Connect local development officer.



## Technical Officers

There are eight technical officers providing sector specific expertise in the development and implementation of trials for Farming Connect's network of innovation, demonstration and focus sites and other Knowledge Transfer activities. Each issue will focus on a different technical officer.



### Jamie McCoy – Dairy Technical Officer

Jamie has previously worked on the Farming Connect programme, most recently in South Pembrokeshire as Knowledge Transfer facilitator and AHDB Dairy senior extension officer running discussion groups and open meetings, with events ranging from farm walks to benchmarking meetings.

She graduated from Aberystwyth University with a BSc Hons in Agriculture in 2009, following a year spent living and working in New Zealand. Although Jamie has a sheep farming background she now farms with her partner in Newcastle Emlyn, on a grass based dairy unit. The 170 cows are autumn block calving, and they also keep a commercial flock of 150 ewes on the farm.

Jamie recently completed a Nuffield farming scholarship on 'Opportunities for the small family farm' and travelled to 12 countries over a two year period studying the topic. She is happy to share her observations and recommendations, striving to realise an efficient, profitable agricultural industry in Wales. Jamie recognises that while we have many very progressive farmers in Wales, we all have room for improvement, farming within a constantly changing global environment. Jamie will deliver a range of projects relevant to all types of systems, with the aim of addressing the following priority themes;

- Business planning and management
- Farm productivity
- Animal health and welfare
- Energy and resource efficiency
- Effective feed and forage utilisation

### CASE STUDY:

John Warburton-Lee owns a 422-acre hill farm near Wrexham which is farmed by local farmer Trystan Edwards under a livestock contract farming agreement.

The farm carries 1,000 Welsh Mountain ewes with 200 replacements, selling lambs as fat and stores. Some cattle are taken on keep for summer grazing to assist grassland management and the entire farm is in the Glastir scheme.

Mr Edwards receives a basic fee to cover the cost of all machinery and labour requirements, while Mr Warburton-Lee retains a 'first charge' in return for providing the land, buildings and sheep handling areas. Both parties receive a payment to reflect capital invested in breeding, which are owned by both parties in a 70:30 split. The divisible surplus is split 70:30 in favour of Mr Edwards.

Joint decisions are made over the livestock system and breeding policy, with Mr Edwards providing husbandry expertise,

and professional input provides the financial focus for the business.

Mr Warburton-Lee says the joint venture was established to ensure his farm resources are fully utilised and to develop a profitable and credible business for the next generation. It also allows him to pursue other business interests and offers income and capital taxation benefits. He believes it is a better way to achieve successful business results through bringing in knowledge, skills, creativity and enthusiasm from others, who are financially incentivised for it to be a success.

For a joint venture to be a success, Mr Warburton-Lee says both parties should have confidence in each other's abilities and always be open to new ideas and ways of working.

## EVENTS

### PERSONAL DEVELOPMENT PLAN SURGERIES

A series of Personal Development Plan surgeries have been arranged where our team of local Development Officers and approved training providers will be able to assist you with completing your PDP online.

DATE	TIME	LOCATION	CONTACT
14 March 2016	09:00 – 17:00	UAC, Llanbedr Pont Steffan, SA48 7BG	Menna Williams 07896 837725
17 March 2016	18:30 – 20:30	Raglan Parc Golf Club NP15 2ER	Catherine Smith 07974 655774
22 March 2016	09:00 – 17:00	Menter a Busnes, Aberystwyth SY23 3AH	Eleri Jewell 07985 379887
23 March 2016	09:00 – 17:00	Canolfan Hermon, Hermon SA36 0DT	Fflur Davies 07985 379927
24 March 2016	09:30 – 16:30	PMR, 12 Goat Street, Haverfordwest SA61 1PX	Rebecca Summons 07867 908193
31 March 2016	15:00 – 19:00	Gwesty'r Bull, Llangefni, LL77 7LR	Trystan Siôn 07985379821

For details of **surgeries held in April**, please contact your local Development Officer:

### BUSINESS REVIEW SURGERIES

Developing, implementing and evaluating plans for your business with an experienced business consultant to help expand and strengthen your business. The one-to-one surgery appointment can be used to evaluate business performance and is an opportunity to consider options to improve business profitability. If you have written your own business plan, the Business Review surgery can be used to verify and approve the business plan in order to access technical advice under our Advisory Service.

Surgeries take place between **9am** and **5pm**.

DATE	LOCATION (location details confirmed with appointment)
05 May 2016	Fishguard
17 May 2016	Abergavenny
19 May 2016	Welshpool
24 May 2016	Bala
26 May 2016	Llangurig
07 June 2016	Mold
14 June 2016	Llangefni
21 June 2016	Bridgend

To book an appointment, please contact **Catrin Lloyd** on **02920 467418** or e-mail [catrin.loyd@menterabusnes.co.uk](mailto:catrin.loyd@menterabusnes.co.uk). For more Farming Connect events, please visit <https://businesswales.gov.wales/farmingconnect/events>