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A study of arable farming in the U.K.

by A. C. KEENE

IN writing this paper I was asked to outline my basic thinking on management and how it has evolved during my 12 years of farming. I think it would be rather dishonest of me to list a formula by which decisions were taken, since my particular thinking has changed and evolved over the years, so I will leave it to you to see if you can detect any basic thinking running through what I have to say. If I was starting a project afresh now, with 12 years of accumulated knowledge, I could most certainly lay down some basic criteria that must be met, but that was not so when I started farming.

I am 37 years old and went into farming after two years in the Army and having completed two years at an agricultural college. Having then spent a year working on farms in North Lincolnshire and Norfolk I started farming in Leicestershire on a family farm of 350 acres. It was not the typical family farm but a farm that my father, who incidentally was an industrialist and not a farmer, had been persuaded to buy by my mother's relations, who were all farmers. This was back in 1943 and my father had received every assurance that farming was the game to be in, and even if it turned out that he didn't enjoy it very much, he certainly couldn't fail to make some easy money.

Looking back I think I can say that we all certainly enjoyed the farming, but if there was any easy money it certainly didn't come our way. So in 1958 my farming career started on a mixed Leicestershire farm with every enterprise under the sun. I thus had a unique opportunity of gaining commercial experience of livestock enterprises of pigs, poultry, cattle, sheep and a smattering of arable farming, mostly cereals with a few acres of potatoes. So I was in the enviable position of starting on a farm of a commercial size, certainly at that time anyway, and on one that was losing money with considerable tax losses to recoup, so I couldn't do any worse—a very comforting thought in those early days.

Up to this time I had received a pretty wide experience of farming and had no pre-conceived ideas of what I was going to do. I did, however, have a preference for mechanical things which I think led me initially to prefer arable farming, other things of course being equal. However, it wasn't very long before I realised that other things were not equal, and the beef enterprise was closed down, followed fairly closely by the sheep. At that time, I think, the chaotic, or at least what appeared to me to be chaotic, method

of marketing and buying livestock, further pushed my preference to arable farming. The thought of once a week having to face the local market and suffer the indignities of carting one's stock home again if the 'ring' was working particularly effectively for the butcher on that day, and the touting of the various salesmen for business, seemed to me to be very unbusinesslike, and furthermore a complete waste of time when there was so much to be getting on with back on the farm.

At the same time as the cattle and sheep were being reduced, more land came under the plough, and this permanent Leicestershire grassland began to produce very considerable yields of wheat and potatoes, having not been arable for a century or so. We also expanded the poultry and pigs in an attempt to increase the turnover.

This was successful as far as the hens were concerned. We had a tie up with a local hatchery and produced eggs of a specified quality for a fixed price—having first of all erected a modern deep litter house. So we decided to concentrate on the poultry and further increase our investment rather than spend money on putting up a specialist pig building. The pigs we thus allowed to run down and finally phase out.

We were now farming 500 acres, having taken on the tenancy of a neighbouring farm, and the pattern of development was beginning to become more clear. The expansion of cereal growing and potatoes, the retraction of the livestock units—with the exception of the hens. However, it became more obvious that if we were going to live and compete in the future, the poultry enterprise had to be further expanded. This occurred at the same time as more land became available, so we decided to concentrate on expanding our arable farming, thus justifying a proper investment in a grain drying and storage plant. Finally, the poultry enterprise was sold up, releasing some money and assets to be diverted to the arable farming. The new deep litter house immediately became a first class potato chitting shed once we had concreted the floor.

We were now specialist arable farmers growing wheat, barley and potatoes and our acreage gradually increased by one means and another to 1,700. However, as we had solved one problem another one arose. Yields had started to flatten out and the concept of continuous barley on our strongest land was becoming less and less attractive as our yields dropped just

at the same time as the price of barley also dropped. Another break crop was badly needed. The traditional one of grass was the obvious answer, but no one could show me how to make a return on our capital from grass other than by going into dairying. This I did not want to do as I knew nothing about it, and it required a massive investment for a grass break of an adequate size.

The crop that we had wanted to grow was vining peas, but in spite of trying for a number of years to obtain a contract we were unsuccessful. However, having read in the farming press of a farmer in Yorkshire successfully erecting his own freezing plant, we investigated doing the same thing. We eventually decided that if we were going to freeze peas we couldn't have the plant standing idle for 10 months of the year, so the initial idea quickly grew into a pretty large plant capable of handling some 50,000 tons of potatoes a year, to process into frozen French fries, and some 3,000 tons of peas.

This project was made possible by us finding our sales outlet first. In securing this we also came across our other partners, some Americans who were wanting to start an operation in the UK. We therefore had a combination of grower, processor and marketer, which eventually resulted in the plant becoming operational in June of 1969. So we had now achieved a very important part of our development, a break crop of considerable value, and a secure outlet at fixed prices for our potatoes. Our thinking now was one of contract production for known tonnages of a product at fixed prices.

During this development period we spent large sums of money in improving the structure and lay out of the farms. Some 800-1,000 acres were intensively drained so that the land was fit for growing and lifting potatoes under adverse conditions. Many miles of hedges were removed and ditches filled in. We developed a policy of centralising our specialist buildings along with mechanical workshops, etc., so all corn and potatoes had to be carted to a central point.

This policy is certainly advantageous as far as fixed machinery and labour are concerned. The large drier and store handles the output of 1,300 acres of cereals and could easily be developed to cope with an increased output when the next farm is taken. The disadvantage of this development is that we now have some considerable distances over which to haul, and this is a problem that we are now trying to solve.

At the same time as we were developing the Leicestershire farms, I had close associations with a friend who farmed nearby, and who had been involved with me in grouped buying and selling. An opportunity arose for us to tender for a 1,000 acre silt farm near King's Lynn. We were lucky enough to obtain the tenancy, so four years ago we started together on a farm on which we developed an intensive arable system growing seed wheat, sugar beet, peas, potatoes, bulbs and strawberries. The trading

on this farm has been so successful that we have recently bought a neighbouring 600 acres of sand and silt which will again be intensively cropped.

That is a brief description of the history of my farming. I now give a little more specific information on the day-to-day running of the farms.

The farm budget

Each farm has prepared for it, a year ahead, a very precise farm budget. This budget is transferred to a cash flow, and from this cash flow our bank borrowing can be determined. I will mention at this juncture that I deem it of the most importance that one's bank manager is kept fully aware of the progress of the business, both its ups and downs. He will then, as I like my bank manager to, feel part of the business. When any new business opportunities come along quick decisions can be made over the telephone as he is fully in the picture and operates under a system of mutual confidence. He, the bank manager, knows that I, the farmer, am not going to buy something out of which I cannot make money, and I know that should I consider a proposition a good one, then I can expect to get his full backing.

This mutual confidence only grows after a period of years of going through the process of presenting plans and budgets and then actually achieving them. The time then comes, as I discussed above, when the telephone call is sufficient. It is vital not to over estimate the potential of an investment, and to achieve any previous pronouncements.

To return to the budget, let me stress the importance of this exercise. One cannot begin to manage a complex business without a pre-determined idea of the inputs needed, outputs desired, and a set of realistic targets at which to aim. Our budgets for income and outgoings are first of all done on an annual total, which is broken down into monthly totals that are cumulatively displayed throughout the year, so each month every single cost is compared with the target cost, and if any great discrepancies occur they are immediately drawn to our attention and the effect on the final net profit figure noted. Our output targets are set at levels that we feel can be achieved on an average over five years. The targets that we use are as follows:—

Leicestershire farms

Wheat	£55 per acre
Barley	£35
Potatoes	£200
Peas	£80

Norfolk farms

Wheat	£60
Potatoes	£220
Sugar beet	£110
Peas	£80
Strawberries ..	£400

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- £55 per acre
- £35
- £200
- £80

- £60
- £220
- £110
- £80
- £400

In a similar way targets are set for expenditure of every single item. Through keeping a strict account of these costs we have been so horrified at the pace at which machinery spares have risen, we have now further improved the equipment in our workshops and in many cases started buying direct from the manufacturers. When we substantially exceed our target costs we have a real post mortem to see how we can do better the following year.

Labour

For every £100 of regular and casual labour, the output on our two farms is strangely enough almost identical at about £460. The farms are planned to be able to run with as few men as possible at the busiest times of the year. For example, on our Leicestershire farms we have found by investing in a 160 hp £6,000 tractor that we work 24 hours a day, we can reduce our labour requirement, and in fact, increase output—thus enabling us to keep our wages at a high level.

I put great importance upon the fact that management and men are both working for the same cause, and that only by seeing that the business is profitable can we all hope to be able to enjoy an ever increasing standard of living. Men are thus made aware of when things go well or badly, and I am never frightened of admitting that we have a particularly profitable crop—or indeed a badly paying one.

I also believe that men respond to responsibility, so I therefore try to define these responsibilities and then leave them to get on with the job. We are therefore able to run both our farms with one farm manager on each, supported by one of the staff promoted to take decisions and have authority in the absence of the manager. All men are the beneficiaries of a non-contributory pension scheme, they are provided with three sets of a farm uniform and are paid if away ill or for any reason through no fault of their own. The men also have the benefit of rent free service cottages. We operate a policy of high wages, only employing intelligent, conscientious and resourceful men, recommending factory employment to those who do not come up to scratch.

On all farms we have found that the use of two-way radio is essential in being able to keep in touch and to save many wasted hours and miles of transport. This greatly contributes to the productivity of labour, through cutting to a minimum standing time from breakdowns. I can see that the time is not so very far away when many of our tractors will also be fitted with radios.

Objective

The object of our farming is to achieve the greatest return that we can on the capital employed, at the same time ensuring that our employees are generously treated and share in any general increase of prosperity. In arriving at a system we have to settle on something that is sound from a husbandry point

of view as well as from an economic one. In other words, we require a system that can go on into the foreseeable future. This I believe to be the position with our present rotation.

As a means of improvement I would like to see us cut out growing barley and substitute a grass break which would be utilised by drying into cubes for sale to livestock producers. I think this would require an investment of £120,000 and a 1,000 acres of grass. I cannot at the moment see that we can get a return on our money—25 per cent is what we expect on tenants capital, but it may well come if this last season's cereal prices are going to be a permanent feature causing a sharp increase in the cost of animal rations. So this is one direction in which we may be going in the future.

The rotation that we are following in Norfolk is sound, and I see no necessity to alter it other than to maybe intensify it still further. This I think will depend upon the ability of management to run in more than one race at a time!

Current problems

I think the greatest problem that we have at present is the universal one of inflation. Costs are rising astronomically and it is almost impossible for us to pass these onto the public without the consent of the Government of the day through the Price Review mechanism. We have to retain our labour force against the attractions of other industries where men in some cases earn far more than they deserve and the country can afford. These exceptional cases all too often are quoted as the rule. We therefore have the perpetual problem of cutting costs and increasing productivity.

The greatest scope I think on our farms for savings is in haulage. When one stops to think, arable farming today consists of cultivations, heavy and light, and hauling. We are therefore trying to evolve a system of speedily carrying 12-ton loads both across country and on the roads.

Finance

Finance will always be a problem to an industry that makes a low return on its overall capital. I think we should separate the business of landowning from that of farming; if one can accept this, then I think a lot of finance problems disappear. Institutions and individuals are satisfied with a return of 4½ per cent on their money in land. We should, therefore, attempt to rent farms or, where one is an owner occupier, consider selling on a lease back arrangement. I am not suggesting that this is the answer for everyone, but to the efficient operator who can make a good return on his working capital, and who is anxious to expand his business, then the lease back should be considered. This is the way that I have been able to expand my farming activities.

ARABLE FARMING IN THE UK

DISCUSSION SUMMARY

1. Mr. Keene, replying to the discussion, said that he did not find much spare labour now that he had started growing peas and running his own freezing equipment. Before he did this, however, he used to use labour in slack times for building projects under the supervision of a skilled building foreman. He aimed to keep as few records as possible and did not record such things as man hours or tractor hours. He calculated the total labour requirements by studying the labour need at peak times of demand which he found in his circumstances to be August and September. In spite of the use of casual labour during this time, there was a limit below which he could not reduce regular labour, and having found that limit it was necessary to recognise that the regular staff deserved exceptionally good pay and working conditions.

2. Machinery was budgeted for in the same manner. The emphasis was on the practical and not on the theoretical.

3. Mr. Keene defined tenants' capital as "the money you have to put into a farm when you tenant it"; thus, bank borrowing was not tenants' capital, though the interest charges must come off the net farm income before the return on tenants' capital was calculated. He hoped to be able to

calculate a gearing of one to one by use of bank funds. It was his target to obtain a return of 25 per cent. on tenants' capital. He found this return was more of a target in Leicestershire, where difficult soil conditions made the attainment of the target somewhat doubtful. He went on to say, however, that he would expect to obtain at least 25 per cent. and frequently more on the Norfolk farms.

4. Mr. Keene acknowledged the difference between the soils in Leicestershire and Norfolk. He said, however, that he would not like to give up the Leicestershire farms for reasons of historical sentiment.

5. Mr. Keene made other points during the discussion:—

- a. He used a 4½in. Volvo drill;
- b. he would review the question of the small tyres on his tractor;
- c. he went in for a policy of subsoiling all lands;
- d. the average worker's wage would equal between £28 and £30 a week, though these figures included a lot of overtime;
- e. lease back arrangements in his experience gave shooting rights to the tenant;
- f. he burned off cereal straw following harvest if it was not required by his neighbour;
- g. he obtained his potato seed from Scotland.