MR & MRS K CLARKE

PROPOSED AGRICULTURAL WORKERS DWELLING

AT

BRIERLEY LODGE FARM
BURNTWOOD LANE
GRIMETHORPE
BARNSLEY

SUPPORTING INFORMATION AND BUSINESS PLAN

IN RESPECT OF
AGRICULTURAL DEVELOPMENT
FOR LIVESTOCK PRODUCTION

September 2009

MR & MRS K CLARKE
BRIERLEY LODGE FARM

SUPPORTING INFORMATION AND BUSINESS PLAN

EXECUTIVE SUMMARY

- Mr & Mrs Clarke have owned this farm for 6 years and have lived in a caravan on site for 5 years. Throughout this time, they have been in the process of developing this holding by carrying out extensive repairs to existing buildings and building a new barn in which to house and rear pigs. In order to provide shelter and security while building up the business, they obtained planning permission (subsequently renewed) for the caravan. They now wish to replace the caravan with a dormer-type bungalow that will become the permanent farmhouse.

- They have built up a closed herd of pigs - a herd comprising sows and their progeny, from which potential breeding sows are retained from each litter, so avoiding bringing in pigs from elsewhere. This method of livestock rearing prevents possible diseased animals from contaminating the whole herd.

- The farm enterprise also contains a small flock of sheep and free range poultry.

- This business plan has been prepared in support of a planning application for the new agricultural workers dwelling and further business development.

- It is predicted that the business will continue to return a modest profit during the dwelling construction period, after which the recently constructed barn will be extended and a meat preparation & refrigeration unit will be built (these are not part of the subject planning application).

- The farm labour input is presently provided by Mrs Janet Clarke on a full-time basis, with Mr Kevin Clarke working part-time during the week and full-time at weekends and during busy periods such as farrowing and lambing. There is also a local neighbour who helps Mrs Clarke each day on an unpaid basis.

- Most of the general labour for the new dwelling will be provided by Mr Clarke, with tradesmen brought in when necessary.

- Most of the farm's pork produce is sold as bacon locally in Grimethorpe at Baines' shop. Free range eggs are also supplied to the shop as well as to a local egg vendor who also has local customers. There is also a leaflet drop which attracts customers to whom goods are delivered. It is proposed to refit a van to expand the door-to-door deliveries and in the longer term, sales direct to the consumer will be expanded from an on-farm meat preparation and refrigeration unit.

- The separate agricultural appraisal accompanying the application indicates a level of income for the current year of £12,100. The appendix to this report forecasts an income of £14,500 for the year 2009/10 from which an agricultural workers wage may be drawn.

1 AUTHOR

This supporting information and business plan has been prepared by Richard Steadman BSc (Hons) MRICS, Chartered Surveyor and Associate member of the RTPI, managing director of Land Restoration & Management Limited. His 25 years experience in agricultural matters has been gained through working for British Coal, the Ministry of Agriculture and running his own company.

2 PURPOSE

The report has been prepared on behalf of Mr & Mrs K Clarke as a supplement to a planning application in respect of a new agricultural workers dwelling at Brierley Lodge Farm.

Mr & Mrs Clarke are in the process building up the farm having started from a collection of derelict buildings on the farm some 6 years ago. They have carried out substantial rebuilding works and have erected an agricultural barn for livestock rearing. All this has been done from a temporary caravan on the farm which they now wish to replace with a permanent agricultural workers dwelling.

During the planning application for a temporary home, they were able to demonstrate a functional need for a physical presence on the holding for the health, welfare and safety of the livestock, as well as combating the likelihood of theft and vandalism.

3 SUMMARY OF UK LIVESTOCK FARMING

The price changes over the past two years have astounded most people in the agricultural industry, driven in the main by a highly fluctuating, but generally rising, price of oil which has affected diesel costs, fertiliser prices and the economy as a whole. The availability of capital for investment has affected everyone, including farmers. Furthermore, the weak exchange rate with the euro, which is the CAP currency, has reduced export prices.

The following contains information derived from the 2007-8 Farm Business Survey conducted locally by the Askham Bryan Agricultural College.

The national pig herd has declined by 40% during the last 10 years. Although pig numbers stabilised in 2006 they fell again in 2007 and 2008. Sow numbers fell by 33,000 between 2007 and 2008 to a record low of 365,000. The percentage of home produced meat in the nation's larders has fallen from 83% in the late 1990s to a levelling out at 49% for the last 5 years.

In the period 2004-2007, the monthly pig price was relatively stable. There was a slight uplift in 2007 to an average price of 108 pence per kg. In 2008, prices rose substantially to an average of 126p for the full year. Since June 2008, the price has not dropped to below 130p.
Recently, there has been a substantial increase in pig prices although feed prices have also increased. However, since September 2008 feed prices have fallen. Consequently, for the second half of the 2008/09 financial year there have been improved levels of profitability.. Despite this, the December 2008 survey showed a 2.6% fall in total breeding pigs compared to the previous year. However, the

number of breeding pigs was slightly higher than that recorded in June 2008, perhaps indicating that some stability was returning to the industry.

The national sheep breeding flock has also been in decline. This combined with increasing exports to Europe (+6% for the first half of 2008) facilitated by a favourable exchange rate indicates a further tightening of supply to the UK domestic market in 2009. Prices therefore look set to at least maintain the much improved 2008 levels and even rise further in 2009.

4 PLANNING APPLICATION

In making the planning application for a new agricultural workers dwelling, account has to be taken of government guidance contained in PPS7 "Sustainable Development in Rural Areas".

This requires the fulfilment of a number of tests including a financial test to demonstrate that the proposed enterprise has been planned on a sound financial basis.

5 BUSINESS OPPORTUNITY

Mr & Mrs Clarke have already established a viable agricultural unit which supplies local produce to a local market. This comprises an outlet in the village store and direct sales to local consumers. Presently, piglets produced on the holding are reared to 32kg live weight then sold as stores. It is planned, within the next few weeks, to refit a van for mobile sales to new customers and increased delivery capacity to existing customers. In the longer term , a meat processing and refrigeration unit will be constructed on the farm, thus creating greater flexibility of meat produce and increasing sales.

The total market for eggs in the UK is relatively static although demand for UK produced free range and organic eggs remains keen, to the extent that producer prices have tended to keep pace with any upward swing in feed costs.

While there are no guarantees on the potential profits that might be made, or indeed future food prices, past performance is a reasonable good indicator of future prospects, given the level of demand for locally reared meat and free range produce.

6 OPERATIONS

The pig rearing operation revolves around farrowing sows producing piglets which remain with the dam for 28 days after which they are weaned and placed in weaner boxes to be kept on the holding for a further 6 weeks until sold as stores at 32kg liveweight.

Breeding sows are capable of producing an average of 2½ litters each year which is the equivalent of 25 piglets. (The average has recovered following falls in the early 2000's due to disease). So, at best, the holding can presently produce up to 1250 piglets per annum. Out of these, some 10 or so are segregated for retention as part of the closed herd. This is an important feature

of this enterprise since by retaining progeny and then breeding from them, the likelihood of disease being introduced into the herd is greatly reduced.
Building up a closed herd can be a slow process. The farm currently has 50 breeding sows with 150 progeny. The optimum herd size of 80 sows will therefore be attained within 3 years.

Ancillary to the main pig enterprise is a small flock of sheep comprising 20 ewes (excepting recent damage to the flock by dog worrying) and 200 or so free range laying hens and ducks.

7 MARKETING AND SALES STRATEGY

The enterprise will continue to provide for a local market in terms of bacon, lamb and eggs. The level of produce will continue to rise as the closed pig herd is built up to its optimum size. The range of pig meat produce will also increase with the introduction of additional pork products. Pig prices are difficult to predict but it is expected that UK prices will remain ahead of continental Europe.

Nationally, there are signs of a downturn in domestic consumption due to lamb prices being at a premium with the result that many consumers turning to cheaper cuts. In contrast, there is a strong export market.

Marketing locally under the name 'Brierley Lodge' has given the enterprise many loyal customers and the meat market will expand with the coming of an on-site meat preparation & refrigeration unit from which additional direct sales will be made.

While the profitability of egg production is subject to many variables, figures suggest a broad brush figure should be more than £7 profit per bird for a full 13 month cycle after taking into account the cost of feed, pullet purchase and old hen disposal. However, this broad brush figure can vary by plus or minus £2 or so. A major cost is direct labour which may be £4 per bird but in Mrs Clarke's case, she is willing for a time to forego a substantial income for the sake of enhancing the business.

8 PERSONNEL

Full-time farm labour is presently provided by Mrs Janet Clarke who is helped out on a daily basis by a local neighbour in an unpaid capacity. Mr Kevin Clarke operates a roofing business but is in attendance on the farm each evening for 3-4 hours and full time over weekends. He also remains on the farm during individual farrowing and the lambing season. Seasonal sheep shearing is done by itinerant shearers.

9 FINANCIAL FORECASTS

Appendix 1 sets out a projection for the next 12 months trading.
Appendix 2 sets out projections for the next 5 years.
Information based upon published data from 2009.

APPENDIX 1

FARM ENTERPRISE PROJECTION APRIL 2009 - MARCH 2010
Based upon John Nix Farm Management Handbook 39th Edition (2009)

PIG HERD (high performance)	Per sow (60 no.)	Per pig (180 no.)	TOTAL £
Sale value		94.70	
Sow & boar Depreciation		1.68	
Mortality charge		1.70	
Output		**91.32**	
Food		62.02	
Miscellaneous		8.33	
Total variable costs		**70.35**	
Gross margin	**518**	**20.97**	**34,854.60**
Total fixed costs*	**370**		**22,200.00**
Total profit			***12,654.60***

SHEEP	Per ewe	TOTAL £
Output	**55.5**	
Total variable costs	**22.1**	
Forage variable costs	8.0	
Gross margin	**25.4**	
Total profit		***508.00***

EGGS	Per bird (200 no.)	TOTAL £
Output	**19.51**	
Total variable costs	**12.54**	
Gross margin	**6.97**	
Total profit		***1,394.00***

*Excludes labour and contract costs

The estimated farm profit for 2009-10 is £14,556.60 or the equivalent of 1.26 standard man years pay.

APPENDIX 2
5 YEAR BUSINESS PLAN
INCOME 1 - MINIMISED

YEAR									
2009/10	SEE APPENDIX 1								
Pig herd	**No of sows**	**Sows sold**	**Profit (GM-fixed costs) £**	**Sows profit £**	**No of pigs sold**	**Profit (GM-fixed costs) £**	**Pigs profit £**	**Herd profit £**	**Enterprise total profit £**
2010/11	55	12	235	2,820	360	20.97	7,524	10,344	**12,385**
2011/12	60	12	235	2,820	420	20.97	8,807	11,627	**13,901**
2012/13	65	12	235	2,820	480	20.97	10,065	12,885	**15,392**
2013/14	70	12	235	2,820	540	20.97	11,323	14,143	**16,859**
Sheep flock	**No of ewes**		**Profit (GM-fixed costs) £**	**Ewes profit £**	**Laying hens**	**Profit (GM-fixed costs) £**	**Eggs profit £**	**Combined Flocks profit £**	
2010/11	20		25.4	508.00	220	6.97	1,533.40	2,041.40	
2011/12	22		25.4	588.80	242	6.97	1,686.74	2,274.74	
2012/13	24		25.4	609.60	268	6.97	1,897.96	2,507.56	
2013/14	26		25.4	660.40	295	6.97	2,056.15	2,716.55	

1 Labour costs excluded 2 Pigs sold through market @ around £100 each 3 Fixed costs deducted from sows profit
ASSUMPTIONS:
Number of sows increases annually by 5 towards the optimum herd size of 80; Number of sold pigs increases by approximately 60 each year;
Number of ewes and hens increases annually by approximately 10%
Ratio between livestock prices and farm costs @ 2009 remains constant

5 YEAR BUSINESS PLAN
INCOME 2 - MAXIMISED

YEAR									
2009/10	SEE APPENDIX 1								
Pig herd	**No of sows**	**Sows sold**	**Profit (GM-fixed costs) £**	**Sows profit £**	**No of pigs sold**	**Profit (GM-fixed costs) £**	**Pigs profit £**	**Herd profit £**	**Enterprise total profit £**
2010/11	55	12	235	2,820	360	70.97	25,549,2	28,369.2	**30,410.60**
2011/12	60	12	235	2,820	420	70.97	29,807.4	32,627.4	**34,902.14**
2012/13	65	12	235	2,820	480	70.97	34,065.6	36,885.6	**39,393.16**
2013/14	70	12	235	2,820	540	70.97	38,323.8	41,143.8	**43,860.35**
Sheep flock	**No of ewes**		**Profit (GM-fixed costs) £**	**Ewes profit £**	**Laying hens**	**Profit (GM-fixed costs) £**	**Eggs profit £**	**Combined Flocks profit £**	
2010/11	20		25.4	508.00	220	6.97	1,533.40	2,041.40	
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2013/14	26		25.4	660.40	295	6.97	2,056.15	2,716.55	

1 Labour costs excluded 2 50% of pigs sold direct to customers @ around £200 each 3 Fixed costs deducted from sows profit
All other assumptions as above

Maximising income depends on new meat preparation & refrigeration unit at a cost in the region of £10,000 in year 2010