

NAAC COSTINGS September 2008

It will come as no surprise to anyone that the NAAC's contractor charges for 2008/9 are significantly higher than they have been in previous years. The reasons for the rise have been plain to all for some months; they are, by and large, the same as those being experienced by everyone in UK farming.

Diesel prices have reached record highs and were hovering around their current peak when we were gathering the figures from our members in July. In fact, many contractors mentioned 65p a litre as their benchmark fuel price in their returns. The high prices have eased somewhat in the past few weeks – they are nearer 58p a litre – but fuel remains a significant operating cost.

In addition, machinery and labour costs continue to rocket. Steel prices and the big drop in the Euro exchange rate has meant that 20 per cent more has had to be budgeted into the cost of replacement equipment. The cost of financing such purchases has also become more expensive. Soaring steel prices have impacted on the wearing-parts bill, especially for cultivation equipment. At the same time, the wages bill maintains a steady climb.

The rapid changes in costs in recent months have made financial management even more of a nightmare for contractors than usual. To keep on top of it, NAAC Members have been trying out a useful software package developed for contractors and farmers by the machinery ring 7Y and consultants Andersons.

Users can easily put in their actual costs for each machine and member of staff and can vary any item such as the price of diesel or work-rates and can quickly calculate the amount they should be charging for each operation. Easy as it is, we hear that some have been shocked by the outcome. They discovered they had been seriously under-estimating their costs, perhaps for many years, and had under-charging their clients as a result.

To cope with the big fluctuations in fuel prices, a number of Members have decided to charge diesel as a separate item on their bills so that their clients can clearly see what they are paying for. As Martin Hays said, on the Members-only area of the NAAC's website, "It's quite simple really. All you need is a litre-meter, a pen and a note-book. Fill your tractor up in the morning, go and do your job, fill it up at night and write down the amount used. All you have to do then is calculate the new fuel price per hour or per acre based on the last price you paid for your diesel and then – you've guessed it – just put it on the bill!"

With all the upswings and market turmoil of the past season, we cannot stress strongly enough that the figures for 2008/9 in the table (below) must be used as guidelines only. They have been drawn from a range of charges sent in by NAAC Members from all over the UK, from Cornwall to the Highlands of Scotland. Boiling the range down into a single figure inevitably hides the quite large variations that occur. The figures do, however, include fuel.

There are obvious regional variations. Any contractor mowing grass in the West Country would be pleased if they could get the rates charged in the East of England. And every contractor tackling big fields of prime grass swards would be delighted if they were paid the rate per acre for mowing small thistle-infested horse paddocks in the South East. The East-West contrast works in reverse for crop-spraying; East Anglian sprayers travel short distances between fields to treat large acreages of the

same crop over a long season. They can afford to charge less per acre than sprayer operators working on small, far-flung fields in the South West.

Operational variations must also be taken into account. Work rates are slow on heavy land but the same kit can fly along on light land. As the tractor plus implement and driver cost the same whatever the soil type, the contractor is obliged to charge more per acre if the job takes longer. The same holds true if the kit has to move frequently between small fields rather than spend the day in the same field.

The figures in the table are always a snap-shot rather than a detailed portrait of the contracting market. This year's picture, taken in July, could alter quite dramatically over the coming months and contractors might be forced to revise their prices rather more frequently than they have in the past.

The NAAC would certainly urge all contractors, whether large specialised businesses or farmers doing work for neighbours, to look at their own individual costs very carefully. No-one benefits in the long-run if contractors do not work out accurate costings. Charge too little and basic operating costs of a job may not even be met – never mind any profit! The likely effect – the contractor will not be in business to offer the service in coming years or corners may have to be cut to keep the business afloat – never good news if the quality of service, or safety, are put at risk. Inevitably, every contractor must be certain of their calculations, as if operating costs are not covered, surely the kit is better left in the yard rather than risk breakdowns and costly repair bills?

In the end it will all come down– as it usually does – to a price quoted for each job, based on the circumstances of the individual farm. Providing both the contractor and the customer has a clear understanding of what the job will entail and the basis for the price, all parties should come out of the deal happy and satisfied with a professional job done.

Andersons's ABC Cost Calculator

The CD-Rom includes;

A database of hundreds of items of farm machinery

- Current prices, fuel use, work-rates, repair charges, depreciation and other cost items
- Allows customisation so you can input your own figures
- Calculates the complete cost of owning farm machinery.

It allows you to build profiles of different contracting operations, analysing and comparing costs, working out how much to charge for each operation, as well as establishing the optimum time to replace machinery.

For a free trial go to the NAAC website (www.naac.co.uk) and follow the link for your 30-day trial. For information contact: ABC Ltd tel: 01664 567676

NAAC CONTRACTORS' CHARGES FOR 2008/2009

*These prices are the Middle Price and the actual price may vary considerably between regions, soil types, distance travelled, size of contract undertaken, size and type of equipment used, amount of product applied etc. **These prices are ONLY a guide.***

OPERATION	COST £ per acre (unless otherwise stated)
Ploughing – light land	19.60
– heavy land	21.10
Add for furrow press	3.10
Deep ploughing (over 30cm)	23.60
Rotovating (ploughed land/ grass)	23.10
Sub-soiling	19.50
Stubble cultivating	13.40
Heavy disc cultivating	16.15
Disc harrowing	13.30
Power harrowing	16.30
Spring-tined cultivating	9.60
Seedbed harrowing	8.60
Rolling – flat (grassland)	8.15
– ring (seedbeds)	5.75
Fertiliser spreading – spinner	4.10
– liquid	4.90
Cereal drilling – conventional	12.30
– combi-drilling	20.90
– direct drilling	17.50
One-pass tillage train	18.90
Grass seed (broadcast)	6.75
Sugar beet drilling	17.60
Maize precision drilling (including fertiliser)	17.35
De-stoning potato land	87.50
Potato ridging	20.00
Spraying	4.55
Extra if less than 50 acres	6.50
Combining cereals	32.20
Extra for straw chopper on combine	2.45
Extra for seeding (Autocast)	4.50
Grain carting to store (per hour)	29.20
Straw chopping (separate operation)	16.35
Oilseed rape harvesting – windrowing	17.00
– combining out of windrow	32.65
– direct combining	32.75
Combining peas	33.50
Combining beans	32.35

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OPERATION	COST £ per acre (unless otherwise stated)
Baling (per bale) – small	44p
– 80cm x 70cm	2.55
– 120cm x 70cm	3.90
– 120cm x 130cm	5.75
– large round	2.25
Bale-wrapping (per bale) – silage	4.50
– haylage	5.50
Potato harvesting – 2-row unmanned excluding carting	225.00
– 2-row manned including carting	385.00
Sugar beet harvesting	110.00
Extra for carting	12.50
Chain harrowing	6.00
Grass mowing	10.60
Grass topping	11.10
Set-aside mowing	11.00
Swath turning/ tedding	6.25
Forage harvesting – harvesting only – first cut	25.00
– harvesting only – other cuts	22.40
Forage harvesting – harvesting, carting and ensiling – first cut	50.35
– other cuts	46.50
– maize including carting and ensiling	61.40
FYM spreading – tractor and spreader (£ per hour)	35.00
– tractor and loader (£ per hour)	28.75
Slurry spreading – tanker (per hour)	32.30
– umbilical (per hour)	52.00
Hedge cutting (£ per hour)	27.15
Hedge laying (per metre run)	-----
Fence erection – post and wire inc wire (per metre run)	3.10
– post and netting inc wire (per metre run)	4.00
– post and rail inc wood (per metre run)	11.00
Lime spreading (per tonne)	3.65
Tractor and trailer plus operator (per hour)	30.00
Tractor plus operator (per hour)	27.90
Sheep dipping (per head) – with chemicals	85p
Sheep jetting/ showering (per head) – with chemicals	75p
Sheep shearing (per head)	1.30
Sheep crutching (per head)	55p
Foot trimming – sheep (per head)	62p
– cattle (per head)	12.00
Livestock husbandry – sheep (per hour)	10.00
– cattle (per hour)	10.00