

Cost of production - Crop year 2013

2014 Forecast

The forecast for 2014 indicates that there will be a small overall rise of 0.7% in the cost of growing potatoes.

Variable costs are forecast to reduce by approximately 2%. This is driven by the significant reductions in fertiliser prices over the last twelve months. A small increase in seed costs has also been factored in although this will be a significant area of variability for individual growers depending on their seed purchasing arrangements.

Fixed costs show a marginal overall increase of approximately 2%. The main drivers are inflationary increases in labour and machinery costs and, for some growers, an increase in electricity costs depending on the timing of their contract renewal, this would have a particular impact on stored crops.

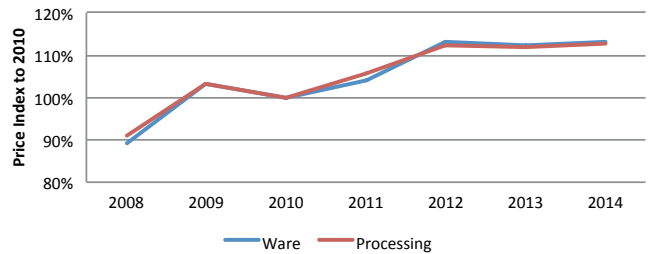
A figure of £874 per hectare has been used for land rents but this varies from area to area depending on land quality and competing demands. There is a significant range which has increased over time and many growers will be paying more or less than this average GB value.

Critical factors impacting cost of production

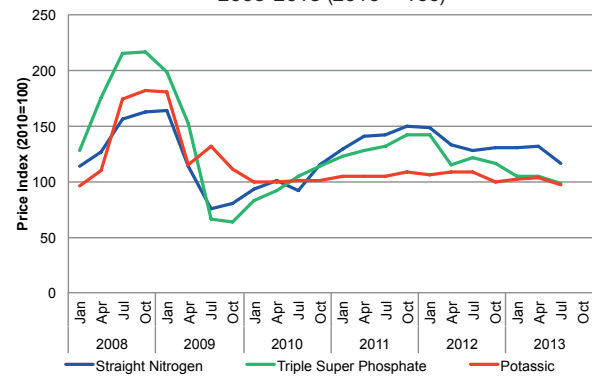
- Marketable yield is the most critical factor in the reduction of the unit cost of production.
- Storage costs remain a significant area of variability between growers.
- Storage losses will significantly impact marketable yield and consequently the unit cost of production.
- In order to optimise the profitability of an enterprise, it is critical that production should maintain a balance of land quality and operational scale.
- There continues to be a wide range of cost profiles within the GB Industry, with the treatment of depreciation for potato stores and machinery, employed labour plus land rental values creating this variation.

Total Cost of Production (incl. Rent & Finance)

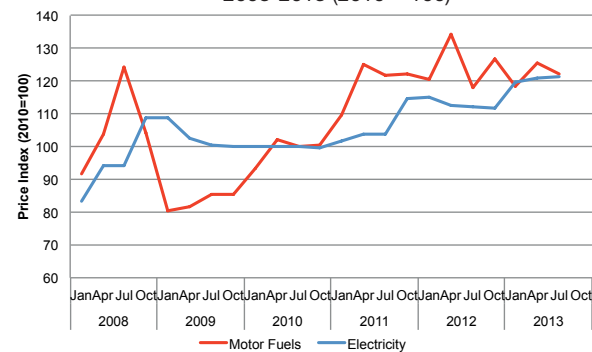
Ware & Processing Per Ha Inflation from 2008 (2010 = 100)



Defra Quarterly Input Prices 2008-2013 (2010 = 100)



Defra Quarterly Fuel & Electricity Prices 2008-2013 (2010 = 100)



“ The recognition of total cost and the impact this has on overall profitability is vital, particularly when the capital employed continues to rise. ”



Jay Wootton

“ Sustained profitability from the potato crop requires technical excellence and a firm grip on cost management. While costs have levelled off this year, there has been a significant increase in the cost of production over the last five years. ”



Neil Cameron

“ The 2012 season has clearly shown how vulnerable the Industry is when adverse climatic conditions impact marketable yield. The management of risk and the need to achieve sustainable levels of return are critical. ”



Phil Bradshaw

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Upper Quartile Performance as determined by - Jay Wootton (Andersons) and Neil Cameron (Bidwells)

The data should be treated in context and used as a guide to trends in the movement of cost elements and not as a definitive cost of production. The profiles reflect a mix of "mid term storage crop" and "off the field" to provide a balanced view.

All growers should take the time to examine their own COP in detail against the data, particularly if they have areas of technical difference e.g. intensive irrigation or long term storage.

Cost of Production data includes market value land rental charged across the entire potato crop area.

Costs for 2013 and 2014 are a projection of likely costs for the two growing seasons.

*WARE POTATOES - £ per Ha					Projected	Projected
Cost per Hectare	2009	2010	2011	2012	2013	2014
Variable Costs	2,475	2,086	2,160	2,441	2,392	2,344
Total Fixed Costs	3,077	3,255	3,421	3,705	3,715	3,810
Labour	985	1,019	1,050	1,103	1,117	1,145
Machinery	1,600	1,720	1,850	2,072	2,057	2,119
Property	222	237	239	246	253	255
Administration	270	280	282	285	288	291
Total Cost of Production (excl. Rent & Finance)	5,552	5,340	5,581	6,146	6,107	6,154
Rent	874	874	874	874	874	874
Finance 5% @ 7 Months	187	181	188	205	204	205
Total Cost of Production (incl. Rent & Finance)	6,614	6,396	6,643	7,225	7,184	7,233
* % Change		-3.3%	3.9%	8.8%	-0.6%	0.7%
Yield - Gross Tonnes per Ha	43	45	45	38	45	45
WARE POTATOES - £ per Tonne					Projected	Projected
Cost per Tonne	2009	2010	2011	2012	2013	2014
Variable Costs	58	46	48	64	53	52
Total Fixed Costs	72	72	76	98	83	85
Total Cost of Production (excl. Rent & Finance)	129	119	124	162	136	137
Total Cost of Production (incl. Rent & Finance)	154	142	148	190	160	161
* % Change		-7.6%	3.9%	28.8%	-16.0%	0.7%
*PROCESSING POTATOES - £ per Ha					Projected	Projected
Cost per Hectare	2009	2010	2011	2012	2013	2014
Variable Costs	1,980	1,668	1,728	1,953	1,914	1,876
Total Fixed Costs	2,615	2,763	3,004	3,138	3,147	3,227
Labour	900	931	965	1,007	1,020	1,046
Machinery	1,300	1,398	1,600	1,684	1,672	1,722
Property	180	192	194	199	205	207
Administration	235	243	245	248	250	253
Total Cost of Production (excl. Rent & Finance)	4,595	4,432	4,732	5,091	5,061	5,103
Rent	874	874	874	874	874	874
Finance 5% @ 7 Months	160	155	161	175	174	175
Total Cost of Production (incl. Rent & Finance)	5,629	5,461	5,767	6,140	6,109	6,152
* % Change		-3.0%	5.6%	6.5%	-0.5%	0.7%
Yield - Gross Tonnes per Ha	46	46	46	39	46	46
PROCESSING POTATOES - £ per Tonne					Projected	Projected
Cost per Tonne	2009	2010	2011	2012	2013	2014
Variable Costs	43	36	38	50	42	41
Total Fixed Costs	57	60	65	80	68	70
Total Cost of Production (excl. Rent & Finance)	100	96	103	131	110	111
Total Cost of Production (incl. Rent & Finance)	122	119	125	157	133	134
* % Change		-3.0%	5.6%	25.6%	-15.6%	0.7%

*The above figures are subject to rounding variations and review following the end of the respective crop year. Comparisons should be assessed against each of the cost elements. Cost of Production data for the Salads and Seed sectors is available at: www.potato.org.uk/publications/cost-production-seed-salads-crop-years-2009-2014. Input Cost Trends for Fertiliser and Energy are available on the PCL website

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