



Cost of production - Crop year 2011

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

Costs for 2012 are an estimate of likely costs for the 2012 growing season.

The data should be treated in context and used as a guide to trends in the level of cost 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.

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

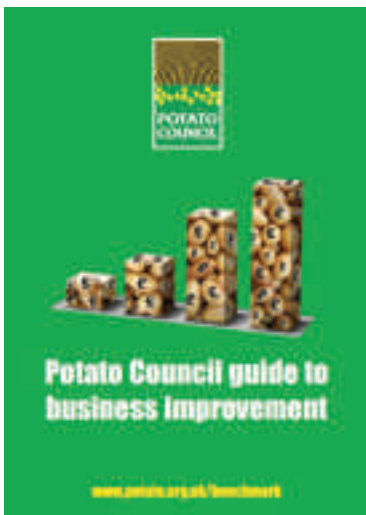
Marketable yield is the most critical factor influencing the unit cost of production.

Storage losses will significantly impact marketable yield, and consequently the unit cost of production.

Fertiliser continues to inflate the cost of production in all sectors and currently represents in excess of £13 per tonne.

In order to optimise the profitability of an enterprise it is critical that growers maintain a balance of land quality, and operational scale.

There continues to be a wide range of storage and land costs between growers, due to electricity charges, treatment of depreciation, and land rental values.



Labour and machinery efficiency will depend on both the structure of the potato enterprise and the wider business structure. Machinery capital costs have increased partially due to exchange rates.

“ There is still little or no recognition of the cost of production within the fresh market; Cereals continue to provide better returns with lower risk and working capital. ”

Jay Wootton



“ Growers must decide between trusting the free market to deliver a long term return (high risk?), finding a lower risk crop to grow or finding contracts that deliver a consistent profit. Only by understanding their own cost of production can this choice be made. ”

Neil Cameron



The % change figures are subject to rounding variations and will be reviewed at the end of the respective crop year. Comparisons should be assessed against each of the cost elements.

Phil Bradshaw, leader of the Potato Council's business improvement project states "Growers need to understand their costs and be able to identify opportunities for change".

The Potato Council benchmark model has been developed to specifically meet this need. Advice is available from many sources: Potato Council, agronomists, your customers' technical staff but most importantly your fellow growers.

Cost of production comparative data for the salads & seed sectors is available at :
www.potato.org.uk/growing/business-improvement

Key project contact

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WARE POTATOES - £ per Ha					Projected
Cost per Hectare	2008	2009	2010	2011	2012
Variable Costs	1,805	2,475	2,086	2,160	2,311
Total Fixed Costs	2,900	3,077	3,255	3,421	3,632
Total Cost of Production (excl. Rent & Finance)	4,705	5,552	5,340	5,581	5,943
* % Change		18.0%	-3.8%	4.5%	6.5%
Yield T/Ha	45	43	45	45	45

WARE POTATOES - £ per Tonne					Projected
Cost per Tonne	2008	2009	2010	2011	2012
Variable Costs	40	58	46	48	51
Labour	21	23	23	23	24
Machinery	32	37	38	41	45
Property	6	6	6	6	6
Administration	5	5	5	5	5
Total Cost of Production (excl. Rent & Finance)	105	129	119	124	132
Rent	19	20	20	20	20
Finance 5% @ 7 Months	4	4	4	4	4
Total Cost of Production (incl. Rent & Finance)	127	154	143	149	157
% Change		21.4%	-7.0%	3.9%	5.6%

Ware % of COP (5 year Average)	
Var Costs	33.3%
Labour	15.7%
Machinery	26.6%
Property	4.3%
Admin	3.6%
Rent	13.7%
Finance	2.8%



Processing % of COP (5 year Average)	
Var Costs	31.4%
Labour	16.7%
Machinery	25.8%
Property	4.3%
Admin	3.4%
Rent	15.6%
Finance	2.8%

PROCESSING POTATOES - £ per Ha					Projected
Cost per Hectare	2008	2009	2010	2011	2012
Variable Costs	1,545	1,980	1,668	1,728	1,849
Total Fixed Costs	2,451	2,615	2,763	3,004	3,188
Total Cost of Production (excl. Rent & Finance)	3,996	4,595	4,432	4,732	5,037
* % Change		15.0%	-3.6%	6.8%	6.4%
Yield T/Ha	46	46	46	46	46

PROCESSING POTATOES - £ per Tonne					Projected
Cost per Tonne	2008	2009	2010	2011	2012
Variable Costs	34	43	36	38	40
Labour	19	20	20	21	22
Machinery	26	28	30	35	38
Property	5	5	5	5	5
Administration	4	4	4	4	4
Total Cost of Production (excl. Rent & Finance)	87	100	96	103	110
Rent	18	19	19	19	19
Finance 5% @ 7 Months	3	3	3	4	4
Total Cost of Production (incl. Rent & Finance)	108	122	119	125	132
% Change		13.3%	-3.0%	5.7%	5.4%

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Potato Council
Information Sheet - IS01

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