

Turning things round and set for more challenges

It's a rare year which leaves everyone in the agricultural supply chain with a fair degree of margin - and this year has been no exception.

The arch antagonist for both breeder and finisher has been the poor harvest and subsequent shift in the price of cereals and straw following one of the worst summers since the mid eighties.

Many producers will be hoping or indeed demanding this ought to be reflected in the price of primestock into 2011. With this in mind, there are a few encouraging pieces of potential outcomes based around what pushes and pulls the price of fatstock and redmeat.

Fewer imports

Demand, provided we have no food scares, will remain buoyant and probably seasonally balanced. We, as a nation, will not produce any more cattle than we have recently and with so many dairy bulls now not reaching the food chain and more suckler bulls being cut, that figure will likely be less. Imports will struggle to break through 2010 volumes with the potential for considerably less coming from Ireland.

Couple these points to the probability that consumers will have to pay more for the two proteins affected immediately by increases in feed prices: poultry followed by pork, then you could be forgiven for concluding that there will be a natural progression into the value of beef and possibly sheepmeat next year.

Fastest growing

"It's an ill wind that blows nobody good" and the macro economic climate has in this case, been no exception. I've referred to one of the fastest growing divisions of our group, TSA, in recent Journal publications and since the summer, general business collapses have continued at a concerning pace.

As a result our specialist auction team led by Grant Rogerson have been working flat out to capitalise on the instructions coming from the finance houses and receivers handling the administrations. Another industry professional has been recruited to join the

team in mid January and we are currently looking for suitable office accommodation in Glasgow, allowing us to be even closer to our regular clients.

Increased sales

The meat division of our business is also capitalising on increased sales both North and South of the border with the four plants now producing more tonnage than they had previously in six factories.

There has been considerable progress made by all the factories, although commissioning the lamb operation in Scotch Premier

did prove more problematic than we would have liked, leading to backlogs for some of our shareholders wishing to market prime lambs with us.

Raymond Wight and his team have however, worked relentlessly to make all the practical changes to the business through the course of 2010 and are now seeing the benefit of their efforts bearing fruit.

Although annualising what the meat division has done in the last six months looks very encouraging, it would, I imagine, take David Fleetwood and his team most of 2011 to get close to the levels of efficiency and margin aspiration that we strive for. Having new colleague and Group Finance Director, Keith McCall, who has an abundance of meat and livestock knowledge, pulling in the same direction, I'm sure, will be of great benefit.

The most significant issue within the meat business and indeed our entire group and wider industry remains cash. The literal four letter word has fast turned into a figurative four letter term with some of largest customers using their supply base as an additional or alternative source of funding. Clearly this practice is not viewed as sustainable and will be managed robustly as we progress into 2011.

'Hoops and hurdles'

Similarly, the mart division has seen increased demand this year in funding for stock on agreement as producers have faced more 'hoops and hurdles' when trying to seek traditional bank finance. The facility has as ever, been managed pragmatically by John Gregor and his team, ensuring this discipline keeps in place, a facility on which many of our members depend.

Obviously, I've mentioned some individuals and areas of our business which have featured prominently in 2010, however there are many people out there in the group who deserve equal recognition and to whom I owe a debt of gratitude in helping turn the ship around to face the challenges of another year.

