



Celebrating 50 years of Marshalls Farm

E/W **EVANS WEIR**
CHARTERED ACCOUNTANTS



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Farm Facts

750 Acres

400 head herd

Oldest producing cow is 18

Family of cows, no new cows introduced
in nearly 40 years

Cross Breed of British Friesian, Jersey
and Swedish Reds

Introduction

It's rare that a business celebrates its 50th anniversary. It's rarer still to find two businesses, both celebrating their 50th anniversary, that have worked together for half a century. At Evans Weir we are proud that one of our first clients remains a client to this day and so we are privileged to offer this book to our friends the Lywoods, in recognition of their 50 years at Marshalls Farm.

About Marshalls Farm

Marshalls Farm is a 750-acre dairy farm set in the heart of the West Sussex countryside. The current farmers are Kate and her husband Jeremy with Kate being the third generation of the Lywood family to run the farm. A tenanted farm with a succession tenancy, Marshalls Farm is one of only two dairy farms remaining on the Leconfield Estate, owned by Lord Egremont. Historically, the estate was home to more than a dozen dairy farms but over time they have gradually reduced in number as the need for bigger herds made it harder for smaller dairies or mixed farms to compete.

Lord Egremont has been, and remains, a long-term supporter of the farm and the Lywood family's tenancy, helping them to grow the herd and invest in the farm estate. Today, the dairy is made up to a 400 head cross breed herd milked twice a day with all produce going to Arla. It is hoped that with recent investment in new sheds the herd can increase by up to a further ten percent in the coming years.

The herd at Marshalls Farm is unlike many others; the Lywood's ethos on animal health means their oldest cow is 18 and still

producing. No new cows have been introduced to the herd for nearly 40 years and the focus is on health above litres, with the annual average production per cow sitting at around 6,000 litres, about half the production level of many high intensity dairy herds. Despite, the downward pressure on price, driving many dairy herds to increase their head count and push harder and harder for more litres, the Lywoods have been able to develop a careful balance between animal welfare and the need to generate income from their herd. Instead of seeking higher volume production, the family has instead placed great emphasis on farm efficiency, which means their average cost of production is up to 25% less than a typical high intensity production dairy. This has in turn helped to protect the farm and the family from price fluctuations in the market, something that has hit others hard since the turn of the century.



The Lywood family at Marshalls Farm



When Edward and Joyce Lywood first moved to Marshalls Farm in 1968, it continued a period of farming expansion for the family. Two years before Edward and Joyce took over Marshalls Farm, Edward's brother, Warwick, moved to the adjacent Battlehurst Farm. Fast forward 50 years and both farms remain within the family, with Edward and Joyce's granddaughter, Kate, running Marshalls Farm and her cousin recently taking over the reins at Battlehurst.

Prior to the move to Marshalls Farm and Battlehurst, the brothers had run another farm along the A272 in Rogate. For a short period after the move, Edward and Joyce were still running the Rogate farm and would 'commute' between the two, managing staff, milking, animals, machinery and crops at both locations.

Edward and Joyce took on Marshalls Farm under a succession tenancy agreement with the Leconfield estate. No longer offered and with very few remaining, succession tenancies allow the right to farm the land to be passed to the next generation of the same family, as long as they are willing to take it on and continue farming. In 1968 Edward and Joyce moved to Marshalls Farm with their son Roger, who, when the time came, had no hesitation in taking on and continuing the farm. Roger continued to manage the farm until daughter Kate agreed to return to the UK from New Zealand where she was already running a 500 head herd on North Island having graduated from agricultural college.

Having started farming very early in life, Roger's decision to hand day-to-day management onto Kate allows him to enjoy retirement and travel with his wife. But having been so deeply involved for so long, it's hard to simply walk away and so he still remains actively involved and now gets to enjoy the work, leaving the worry and early starts to the next generation.

The succession tenancy at Marshalls Farm hinged on Kate's willingness to return to the UK and take up the opportunity, as both her brothers had followed different paths. Having been persuaded, Roger knew Kate would need an anchor on her return and so on the way back from the airport went to purchase her own farm dog who still keeps an eye on her - even though husband Jeremy now also helps keep her feet cemented in the Sussex countryside.



The biggest issues in the first 50 years



The biggest issues over the first 50 years can either be linked to the weather or the sale of produce. Needless to say, the fluctuation in the price paid per litre is a constant and recurrent issue, but at periods the fluctuations have been deeper with several significant price crashes impacting the entire industry.

Typically, these crashes carry very little warning and one particular crash witnessed the milk price tumble, literally overnight, to 16p per litre. At these prices, the milk was actually costing more to produce than it could be sold for, but with limited ability to store milk and a finite cut off point for its sale, farmers around the UK had to accept the lower price just to keep cash flowing and to avoid dumping thousands of litres. For the Lywood family, this crash came at a time of major investment in the farm, with lending leveraged on average incomes. So, for the family, the crash was arguably bigger and harder to manage than for many others, who were not as highly geared. The result of this difficult period was a renewed focus on efficiency and keeping the cost price as low as possible, so future peaks and troughs could be better absorbed.

Whilst price can be a regular issue, the overnight disappearance of your contracted buyer must rate amongst the biggest and hardest issue to deal with, something that the family understands only too well. Without notice, The Dairy Co. simply did not turn up to collect the morning one morning. The immediate impact of this was the need to find someone else to take that day's production before it would have needed to be dumped; arguably not the best negotiating position when trying to sell a commodity. The longer-term issue was the fact that The Dairy Co. had gone bust owing farmers around the

UK, including the Lywoods, thousands. Thankfully, another dairy company stepped in within 24 hours to buy the milk and set up a contract for the future. Over time, through a series of acquisitions, this led Marshalls Farm to become part of the Arla family.

Like a fluctuating milk price, the weather is another variable whose impact can be felt well beyond the short term. Excesses of heat or rain in one season can easily trail over to the next summer/ winter with swathes of grazing land rendered inaccessible or winter feed stocks being used to plug a gap in the summer, due to a lack of fresh pasture. In 2018, as Marshalls Farm celebrated its 50th anniversary, the UK was treated to a prolonged heat wave, and limited rainfall. Whilst the UK basked in the heat, Kate and Jeremy had to improvise in order to minimise the use of winter feed stocks and to provide sufficient fresh pasture to keep the herd outside for as long as possible. Like any obstacle placed in front of a farmer or business owner, the ability to respond often brings learning opportunities. Getting to 'Plan Z' in 2018 helped Kate and Jeremy look at alternative crops and grazing pasture across the farm, something that will last well beyond the current season.



The biggest change in 50 years



Kate believes the biggest change over the last five decades has been in enterprise and innovation and the impact this has had on farming methods.

When Edward and Joyce came to Marshalls Farm 50 years ago, they started out with a diverse farm including pigs, crops, beef cattle and a dairy herd. Gradually over time, the farm has become more and more specialist and the ability to compete in multiple areas has become harder. The land at Marshalls farm is not ideally suited to arable farming and so the quality of crops and therefore the value they could achieve meant the farm naturally moved towards dairy. Further innovation in farm machinery also meant that arable farming was only suited to larger expanses of farm land as tractors, ploughs and harvesting machinery grew in size.

But with innovation comes a different challenge. Kate and Jeremy's focus on animal health and not demanding higher production volumes does not necessarily fit with the model being adopted by some of the huge dairies in the UK and overseas. So-called 'Robo' milking doesn't appeal as Kate wants to see and have contact with every cow, every day, to retain that individual herd knowledge. So, for Marshalls Farm, the innovation must be applied in different ways such as how and when to plant winter feeds to maximise yield and drive down the cost of having to source externally grown feeds.



Brexit



As the Lywoods celebrate five decades at Marshalls Farm, the question of the UK's membership of the European Union looms large. With the UK set to leave the bloc in March 2019, the farming industry is likely to be at the forefront of change both in terms of the rules around yields and methods, and also when it comes to funding.

As the generation that will lead the family business through the Brexit process, Kate and Jeremy have very clear views about what it means in both macro and micro terms. With a focus on animal health and wellbeing, one major concern is around where the UK may source food and produce from if tariffs and rules on import are introduced from the EU. Kate and Jeremy share the view that UK farmers are the best in the world, driving and setting the highest standards in welfare and food production. Therefore, if there was no trade or heavily restricted trade from the EU, there is a risk of more produce coming in from overseas territories with less strict standards.

In terms of investment, the removal of single farm payments and EU subsidies may hit UK agriculture hard. Whilst not reliant on these payments, because of their business model, the Lywoods do acknowledge that removal of this funding may restrict additional investment in farming, staffing and the estate. Typically, farms like Marshalls use this money to add value rather than subsidise production and therefore innovation may be affected until the UK

Government is in a place to replicate the subsidies or introduce new value added grant funding.

As part of a European cooperative in Arla, Marshalls Farm also benefits indirectly from the opportunity to share products and ideas with other European members. As a means of trying to shield its members from the fluctuations in price, Arla has taken ideas from elsewhere in Europe and replicated them in the UK due to the consistency of food standards and production methods. One notable example was the introduction of the Skyr yoghurt brand into the UK. Seizing upon the trend towards low fat, high protein diets, Arla took the concept of Skyr from another EU country and was able to replicate the brand and production in the UK within weeks. By having a range of products that Arla produces, using its members milk, Arla is less exposed to market pricing and can therefore pay a more consistent price to its dairy farmers. If restrictions were introduced or there was a discrepancy between UK and EU standards, this innovation may be curtailed entirely or, at the very least, become a significantly protected process.





Being part of Arla



Arla is a Danish based European dairy cooperative owned by its farming members. Marshalls Farm became a supply farm as a result of its previous milk buyer going bust overnight. Forced to find a new buyer within 24 hours so as not to lose a day's production, the Lywoods set up a contract with another buyer that was subsequently acquired by Arla.

The Lywoods are positive about their relationship with Arla and the support it offers. As a result of the weather in 2018, there is a proposal on the table to divide the cooperatives profits between its members in 2019 to help farmers offset the likely costs incurred due to the prolonged drought.

Arla has also invested heavily in its own brands to help protect its farming members from the impact of a fluctuating milk price. With its own butter, cheese and yoghurt brands, the ambition is to ensure farmers are always paid at least breakeven price for their milk even during price crashes.



The future – The next 50 years



As part of its fiftieth anniversary year, major investment was made to develop new winter sheds for the herd. This investment will not only allow the herd to grow but will also help to protect and enhance the grazing land, which does not typically support winter grazing due to soil quality. The additional space also means that Kate and Jeremy can rear their own heifers on the farm, something that has previously had to be carried out on neighbouring farms due to a lack of space.

The investment, which was supported by Lord Egremont, means that further focus can be given to the health of the herd rather than seeking to diversify the activities on the farm. These improvements, along with other efficiencies around the farm, will further help to drive down the average price per litre of milk production allowing Kate and Jeremy to continue with the tenancy as a viable, dairy only, farm business.

When considering the future, the biggest issue for the farm over the coming years is likely to be public perception of farming and food. Changing diets, bad news food stories and a detachment from food production means that it may become increasingly difficult to find staff and there may be less demand at home for milk and dairy produce. Kate and Jeremy believe that it is their job to counter this by making farming more open and accessible. Mid-term plans include the development of unused barns for education

purposes and working in partnership with colleges and universities to support more work-based training opportunities such as modern apprenticeships. In 2018, the average age of worker on the farm is already lower than the national average for a similar sized farm.

Kate and Jeremy also believe passionately about investing in staff. This means introducing a new 'norm' for working hours and conditions, with the understanding that when competing for staff, the traditional 80-hour week does not appeal to many. By maintaining energy levels, the team retain their love for the job and in turn the farm retains its best people. A team ethos and support from a hardworking and dedicated group of staff also means that Kate and Jeremy can take a break from the farm, something that has not always been the case for previous generations of dairymen.



Evans Weir - a trusted partner



Having worked together for the entire 50 years at Marshalls Farm, accountants Evans Weir have built a strong and lasting relationship with the Lywood family. As well as managing the statutory accounts for the farming business, Evans Weir also look after the family's personal tax affairs, providing a holistic accountancy and taxation service.

Coming into the family business, having married Kate, Jeremy hails from a corporate background and has applied his commercial knowledge to help Kate continue to drive cost efficiencies across the farm. However, testament to the relationship with Evans Weir is the fact that moving or market testing for accountancy services has never even been discussed. Various farm advisers have visited Marshalls Farm over the years, identifying areas for cost reduction and encouraging the Lywoods to shop around, and they have, with the sole exception of accountancy.

In 2018, the majority of the day to day bookkeeping is managed in house by Jeremy, but he continues to rely on Tony and the team at Evans Weir, for advice, always enjoying a timely response that makes sense and supports the farm's over-arching aims and approaches.

