

INTELLIGENCE FROM THE REGIONS – October 2008

Status

*Three times a year staff of the RBR provide up to the minute information from their Regions on what is happening on farms and local markets together with a summary of current attitudes and concerns. It has been decided to give this information a wider dissemination. The site will carry the latest collated report. Comments are welcome as well as any queries, please contact the Editor; [**martin.seabrook@nottingham.ac.uk**](mailto:martin.seabrook@nottingham.ac.uk).*

This information is provided by RBR staff and every effort is made to check its accuracy and validity. It should be recognised that whilst some of the information is anecdotal that is its value in giving a current and real insight into what is happening within the industry. As with all information it should be used with care and in context.

YORKSHIRE / NORTH EAST

Beef

Since the Spring of 2008 finished cattle prices have been significantly higher than the previous year. The margins on these cattle will have improved although the feed costs will also have increased. In addition store cattle prices have been high throughout the Summer. This will reduce the financial margins for finishers on cattle purchased over the Summer. However, feed costs have now started to fall following the decline in cereal prices for the 2008 harvest.

The difficult, wet harvest has meant that it has been a problem for livestock farmers to source straw.

Sheep

In contrast to the previous year the sheep sector has seen an uplift in prices. Prices for finished lambs have been strong throughout the year although there was a seasonal dip in August. Prices were especially high during June. However, latest markets in October have seen a fall in price with some suggestion that this is due to export problems which in turn have been affected by the current financial situation.

In the breeding sales returns are on average at least £10 higher than the previous year when prices were depressed. There is an increasing division between top quality and lower quality stock, with farmers trying to sell poor quality animals having difficulty in finding buyers. The high lamb price in the Spring has led to farmers selling ewe lambs fat rather than for breeding which is likely to hold the breeding trade high. A recent rare breed sale produced exceptional prices for a range of hobby type stock. The "third market", the leisure market, is becoming an important, if small target, for producers as they choose to differentiate their stock.

Wool prices are still very, very low with some farmers not bothering to send the wool at all.

There are issues around whether farmers have vaccinated their sheep for Blue Tongue. Most farmers who are dependent on breeding stock have vaccinated but there is still a long way to go for all stock to have been vaccinated.

Dairy

Farmers have received better prices since the Autumn of 2007 which is now reflected in rolling average prices. It has been a difficult Summer for milk production due to the wet conditions. Some dairy farmers housed their stock in August because conditions were so wet. This also meant that they were using up valuable Winter feed. Increased prices for purchased feed will take away much of the increase in milk price.

Prices for freshly calved cows or heifers have been strong throughout 2008.

Wet Summer conditions made silage and hay making very difficult for livestock farmers throughout the regions. In June and July many farmers struggled to make second cut silage whilst some hill farmers had still not made any first cut forage. However, there was a warm dry week at the end of July when a lot of farmers were able to catch up. When the weather did show signs of improving contractors were unable to cover all the work before the rain started again.

August was exceptionally wet which meant that grass growth was good but the quality of second and third cuts of silage was poor. This was also true in September.

If soil conditions were right some of the maize crops in the region are expected to be very good.

Pigs

The pig sector has seen a period of steadily increasing prices. However, feed costs had increased substantially and so many producers are not making a positive margin. The sector continues to decline with farmers moving out of pig production.

Arable

Conditions for harvesting were very difficult especially for farmers and contractors trying to cover large areas. Cereal yields were generally good but the weather conditions meant that the quality was not. Milling and malting grade corn ended up as feed quality. This added to the stocks of feed corn. Many report that the quality of the milling wheat is low with hagerbergs frequently failing contract standards. Combining at 24% moisture has been commonplace and reports have been received of incidents of grain being combined up to 30%. Drying costs have been extensive. The concentrated window for combining and high moisture contents have resulted in a real storage and drying challenge, with many finding it difficult to handle the larger volumes. The hike in fertiliser and other inputs, coupled with the difficulties of storing and drying higher volumes has led to a greater tonnage coming onto the market which is depressing prices as farmers look to find the money to pay for in particular fertiliser.

By mid October many farmers have caught up with cultivation and drilling although farmers on wet land have struggled to get on with the work.

The very large price fall for cereals is important; prices have now dropped to below £90 per tonne ex farm. This is for a crop that had seen a dramatic increase in input prices. Consequently, profitability on arable farms will drop significantly for the 2008 harvest.

Potato blight has been a major problem throughout the wet Summer of 2008. Indeed, at times, farmers were unable to get onto the land to maintain the spraying regime necessary to control the disease. Lifting of maincrop potatoes has been very difficult due to the wet weather. This has also affected the root vegetable growers in the regions.

It has been another difficulty year for pulses. The harvesting conditions for vining peas were very difficult for the second year running.

“Credit Crunch”

Some farmers have reported that the number of customers through farm shops had fallen and this could have been due to people being concerned about their food expenditure. Farmers who are heavily borrowed have also expressed concern as to whether the upheaval in the banking sector will have implications for their business. Having said that it should be noted there have been exceptional increases in land prices in 2008 with no immediate signs of any falls in value in contrast to the falls in the residential housing sector.

Specific examples and anecdotal evidence of credit crunch/economic prospects on the farming business are, at best, unreliable indicators of the actual effects. In general, we envisage there are two classes of business which will be most affected. First, there will be businesses which are heavily dependent on credit who will be finding the present circumstances extremely testing, possibly to the point of destruction. These difficulties are likely to affect large trading businesses most, including livestock and grain dealers, and their difficulties may well be passed on to their clients and customers, several fertiliser companies have been insisting on cash payment (for autumn compound fertilisers) from mid-summer onwards. Second there will be those business owners who had planned on retiring soon, and will now find that their personal pension plans are insufficient to allow retirement in the near term and will be forced to postpone their plans. This may reduce structural change in the industry from what it would otherwise have been. On the other hand, the conditions of the SPS mean that this effect is not likely to be as strong as it would have been under previous support regimes.

NORTH WEST

Beef

Prices have been relatively strong, but input prices have now caught up and are reducing margins to previous levels or below. High fertiliser prices have resulted in lower levels of usage.

Sheep

As for Beef.

Dairy

Stronger farm gate prices for milk have lifted the mood in this sector but again, some of the increased price will have been taken up with higher costs especially feed costs. It has been a difficult Summer for milk production due to the wet conditions. Indeed, in Lancashire, some dairy farmers housed their stock in August because conditions were so wet.

Arable

Autumn harvesting conditions have been very difficult indeed. At the second week of October there were still pockets to be harvested. Large areas of winter oilseed rape were not planted due to the delays in harvesting, and, while Winter cereal drilling is going full speed ahead while the weather holds, it is likely that the area planted will be down on the planned area.

Potato blight has been a major problem throughout the wet Summer of 2008. Indeed, at times, farmers were unable to get onto the land to maintain the spraying regime necessary to control the disease. Lifting of potatoes has been very difficult due to the wet weather especially for the early crops in Lancashire.

“Credit Crunch”

It looks as though the stock market “crash” is going to be repeated in the commodity markets round the world - as previously excessive speculative positions are unwound and as world growth prospects are revised downwards. If so, then there will be substantially reduced pressures on input prices (feed, fuel

and fertiliser) and also on land prices and rents. The volatility of both output and input prices seems likely to have repercussions throughout the chain.

EAST MIDLANDS

The optimism of twelve months ago (in most sectors) has largely disappeared, with the arable sector in particular looking pessimistically at lower output prices and increasing costs of inputs.

The wet Summer has been very problematic for both livestock and arable farmers and will have knock-on effects for the 2008/09 year. Cattle have been housed at night time in some areas from late July, impacting on the stocks of forage. However, the dry start to October has provided farmers with the opportunity to make some late cut silage and replenish forage stocks. Grass silage quality is reported to be good, despite the weather and maize quality has been enhanced by the recent sunnier days which have helped to raise dry matter yields. The difficult and late harvest is causing some arable farmers to alter their cropping plans for the 2009 crop.

The level of theft of fuel and machinery has risen dramatically as the price of oil and scrap metal has significantly increased.

A **major** concern by a number of farm businesses is the great difficulty to have effective Broad Band access, or at best it is very slow. With an increasing number of Defra forms, information sources etc. being only available on-line; this is a potentially an incredible impediment to efficient farming. The matter should be addressed very urgently.

Beef

Although there is much relief amongst livestock farmers that the Blue Tongue outbreak of 2007 did not escalate beyond a few isolated cases around the UK, the process of vaccinating livestock has, in many cases, been problematic. Difficulties in handling livestock that were some distance away from suitable handling facilities has led to some farmers waiting until Winter housing before vaccinating animals. Other farmers have incurred significant haulage costs in getting livestock to a suitable place for vaccination.

Beef farmers are buoyed by the much improved prices for their finished animals. Optimism is being further enhanced by the prospect of cheaper feed prices. However, beef production is coming from a position of consistently returning negative net margins and even with higher output prices there are still major concerns.

Sheep

Although there is much relief amongst livestock farmers that the Blue Tongue outbreak of 2007 did not escalate beyond a few isolated cases around the UK, the process of vaccinating livestock has, in many cases, been problematic. Sheep farmers are buoyed by the much improved prices for their finished animals. Optimism is being further enhanced by the prospect of cheaper feed prices. However, sheep production is coming from a position of consistently returning negative net margins and even with higher output prices, sheep farmers in particular are not too optimistic about reversing this situation.

Dairy

The exodus of dairy farmers from the industry seems to have slowed. Those currently leaving the industry cite the cost of investment in buildings and waste management capital investment as the main reasons for their decision to stop milk production.

Optimism is quite high and has been heightened by the recent increase in Autumn milk prices, the fall in the price of fuel and a sense that feed prices may fall as cereal prices fail to reach their heights of last year.

Cull cow prices have increased markedly on those of a year ago and are making a significant contribution to income; however those farmers buying in replacement breeding animals are paying high prices. Continental cross bull calves are currently approximately £50 up on a year ago, but Holstein Friesian bull calves continue to have very little value with large numbers been shot on farm.

Pigs

In spite of some increase in pigmeat prices of the last 6 months, pig producers are saying that the increases are nowhere near enough to bring them into profitability.

Arable

Although the 2008 harvest was very difficult due to the wet weather, yields of wheat and barley (wheat in particular) were exceptionally high with many farmers reporting record yields.

Arable farmers are anxiously watching the price of cereals, already fearing that the current price of wheat is not high enough to cover the costs of production. Estimates vary but farmers are reporting that they need to achieve £110 – 120 per tonne to cover costs. Feed wheat price on 14/10/08 was around £90 per tonne. Milling wheat price was around £145 per tonne but due to the wet harvest, this is in short supply. Much grain was harvested in far from ideal conditions and the high cost of drying will erode margins.

The establishment of 2009 winter cereal crops has, after what was a difficult and late start, progressed well in recent weeks and most farmers are predicting that they will have caught up with drilling by the end of October. Winter oilseed rape establishment has suffered due to poor seed bed preparations and slug damage. A large proportion of the planned oilseed rape crop (2009) has not been planted and farmers will be turning to alternative Spring break crops.

As a result of the very large increase in the price of P and K fertiliser, arable farmers have been soil testing to a greater degree than normal, the result being a more circumspect approach to the application of P and K. Straw is being regarded as a more valuable commodity and source of P and K, with more being ploughed back in than in recent years.

“Credit Crunch”

Whilst the financing of working capital has traditionally come from current account bank overdrafts or positive bank account facilities, the increasing costs of seeds, fertilisers and sprays has led to some farmers seeking out short term financial agreements with merchants and credit companies. However, the unavailability of credit or the access to credit with very unfavourable rates of

interest has thus far resulted in few reports that farmers have gone down this route. Meanwhile, the recent cut in bank interest rates has been welcomed by farmers and will go some way to offsetting the impact of increased input prices.

WEST MIDLANDS

The burning issue for fruit and vegetable producers is unequivocally the EU proposal to ban a large number of crop protection sprays depending on their level of ingredients deemed to pose a risk to human health. The outcome is due in November 2008 and the sector is extremely anxious about this issue as they see it as potentially ruining their industry, leaving the door open for imports from outside of the EU.

The weak pound will see increase to SPS payments and also make exporting of farm produce and products easier.

Organic farmers are mindful of the real threat from the "credit crunch" as the economy slows down and consumers are not prepared to pay a premium for organic produce.

There has been recent evidence of some cereal farmers purchasing new tractors and machinery, several for cash and others on HP agreements. Funds have also been made available to dairy farmers with business plans for expansion, especially where land is owned and available as collateral

Impressions gained have been that following the initial boost in grain prices, cereal farmers are now finding that their margins are falling as costs have now caught up.

Beef

In certain areas TB remains a major factor leading to frustration and anger about the apparent inability to do anything about the disease. Cash flow is greatly affected by the lack of sales when a farm is closed down, especially at this time of year when stores are being sold in preparation for winter housing. In the current economic crisis banks are showing signs of being less understanding and restrict additional lending or make new arrangements at higher interest rates.

Often due to TB restrictions cattle cannot be sold at the ideal or prime time in their growth. To back this up markets are currently seeing a varying quality in animals and as such a varying demand affecting prices. There has been a marked improvement in beef prices compared with last year, although set against the increase in feed, fertiliser and fuel prices and coupled with the fact that most beef farms have recorded negative margins in recent years, it is not anticipated that beef producers are doing much more than breaking even

Sheep

The price of lambs is holding strong at the moment and there is a good demand from buyers at the livestock markets for both finished lamb and store lambs, which is a big improvement on twelve months ago.

There are mixed reports about the Blue Tongue vaccination across the region, some farmers have vaccinated at the first opportunity whilst others have delayed amidst concerns over effects of the vaccine on ewes at tupping time. With there being very little evidence of fertility implications presented to them some farmers have not gone ahead with vaccinating and are either holding onto their vaccine or

not ordering it from the vet. As one farmer put it "*in the absence of widespread Blue Tongue there won't be rush to vaccinate against the disease*"; so far all infected cases have been in imported animals which re-enforces the doubters case.

Dairy

Although there have been significant improvements in farm-gate prices, concentrate feed bills have risen significantly and there have been large increases in the cost of fertiliser and fuel. As a result, dairy farmers are not convinced that they are any better off than they were 12 months ago. Indeed, the exodus from the industry continues, although at a slower rate.

Although calf prices remain at a low level, the increased value of younger cull cows has helped sustain revenue. The cost of replacements remains very high.

The delay by Defra in announcing a TB eradication plan is causing anxiety among dairy farmers.

A shortage of straw as a result of the difficult harvest and arable farmers opting to chop straw has led to a shortage in some areas.

Pigs & Poultry

These two enterprises have been hardest hit by the escalation in concentrate feed prices so the reduction that lower cereal prices should bring will be welcomed. Pig prices have increased significantly on those of the previous year, and concerns about the future of the industry have eased.

Egg producers seem to have been better protected against cost increases with significant improvements in farm gate prices. Demand for free range eggs continues to increase. The ban on traditional cages in 2012 and the high capital investment associated with the installation of enriched cages could lead to a number of producers either adopting free range systems or leaving the industry

Arable

Due to the record wet Summer the harvest of these crops was very protracted with areas still remaining to be combined at the beginning of October and reports of some crops being abandoned. Crop drying has been a major and essential operation on farms, though the very high cost of fuel meant in some instances farmers deciding to leave heaps of moist grain for feeding to livestock. The general feeling, however, was that although the quality of crops, especially wheat is poor, the improved weather from mid-September meant "*it could have been even worse*".

Of concern is the poor quality of straw and the fact farmers chopped and incorporated significant areas of straw behind the combine resulting in shortages for livestock farmers in the coming winter matched by high prices. The winners in this situation are those farmers holding on to their stocks looking to capitalise later on.

Although average yields in 2008 were generally higher than those of the previous year, the marked fall in prices will more than offset the improvement in yields. Given the increase in input prices, notably fertiliser and fuel, it is anticipated that profitability on combinable crop farms will be well down on that of the 2007 crops.

Although drilling of next year's crops is way behind on previous years many farmers have taken a risk with oilseed rape drilling it outside the recommended time frame. Great effort is now being made to catch up with drilling which has benefited greatly from benign weather in recent weeks. Good climatic conditions have seen farmers push on with drilling winter crops and, although there's no hard evidence to support the fact, anecdotal evidence suggests the area of spring cropping will be less than predicted back in August. The wet harvest has had a knock on effect on preparations for the 2009 crops. Compacted ground is proving difficult and expensive to work. Oilseed rape has been particularly badly affected and the area planted is likely to be down on recent years despite farmers taking a risk with late drillings.

Farmers have been focusing their efforts on battling hard against the weather in recent months and are only just coming to terms with the big reduction to the wheat price from over £180 to less than £100 per tonne in six months. At present there has been no corresponding fall to input prices of fertilisers, fuel and sprays, though the expectation for lower fuel price following recent sharp falls in the price of oil will have come too late for the autumn drilling.

The proposed changes to the EU pesticide registration rules, which could result in reduced availability, are seen as a detrimental step in maintaining productivity in this sector. Arable farmers are also concerned by the proposal from Defra of a set-aside replacement plan which would involve growers putting up to 5% of land into an environmental scheme. The proposal, designed to offset the loss of environmental benefits following the abolition of set-aside, is seen by many as unnecessary, particularly at a time of food shortages.

Fieldscale vegetables

Potatoes are being lifted at a steady rate with approximately 50% lifted so far although the prices are "*not that special*" and have been falling over the last few weeks. There has been some slug damage resulting in selling into the wholesale market at much lower prices than for quality potatoes.

Other vegetable crops have been grown under a high cost and falling returns environment. Many growers mention that after a period of higher prices paid by the main supermarket retailers they are now faced with depressed returns resulting from a price war being waged at present.

The growing of sugar beet in this region as a break crop is of no significance as break crop following the closure of the sugar beet factory at Alvescott, Shropshire in 2006.

Horticulture

Hardy Nursery Stock

After a very good year in 2007 there is growing evidence of the sharp decline in profitability in this sector. There was evidence earlier in the year that average customer spend was falling and this has become more marked since the headlines about the "credit crunch". Other problems faced by these growers relate to the weather with low sunshine hours and high humidity leading to higher incidence of fungal disease than normal. The result of increased expenditure on crop protection sprays and fuel have added to the cost: price squeeze on margins.

Soft fruit production

The extreme wet Summer weather has conspired to make the 2008 season one of the most difficult on record. Some very large growers abandoned the crop due to labour unavailability. The shortage of soft fruit pickers has stemmed mainly from the exchange rate. A very weak sterling currency competing with a much stronger euro has seen the flow of labour on some fruit farms fall by as much as 50% on previous years. It is unfortunate for these growers that the restriction on labour from European countries beyond the Euro Zone has coincided with a big fall in the value of the pound.

Top fruit production

Generally yield is up 10% on the previous year, though some local reports suggest lower yields due to hailstorms in August. The wet Summer has given rise to large fruit, but the very low level of sunshine hours means much lower sugar content. Problems with scab have been much more prevalent than in drier summers requiring application of expensive fungicides.

The higher prices seen by producers last year led to increased optimism among growers. However, recent events have seen morale suffer from the policy adopted by supermarkets of undertaking prolonged periods for the promotion of English fruit subsidised by the producer to the tune of 20 pence per kilogramme, amounting to almost 25% of the normal return. This is evidence of how the "credit crunch" is affecting the sector as supermarkets engage in a food price war. Another negative factor is the impact made by some very large pack houses that have expanded rapidly in recent years with the aid of EU funding as part of the arrangements for Producer Organisations and who are prepared to commit large volumes to supermarkets at below the price of production. A number of pack houses are in severe financial problems.

"Credit Crunch"

Although land prices have stabilised, demand remains strong with added interest from financial institutions, particularly since investment in property has become less attractive.

The weakness of the pound will result in an increase in SPS payments and help exports.

The reduction in interest rates will be welcomed, although the availability of credit for new investment may become more difficult particularly for tenant farmers.

There is some concern in the organic sector that sales could suffer as the economy slows down and consumers are not prepared to pay a premium for organic produce.

EAST

Arable

The prolonged period of dry weather has allowed good progress with late establishment of winter wheat.

For many farms, establishment of oilseed rape was either impossible due to soil conditions or unsuccessful due to wet conditions and slugs.

Wet conditions, and a preoccupation with harvesting, disrupted the early

drilling of winter wheat and barley, often prompting a change in cultivation strategy.

Many farmers are talking about growing an increased area of peas and beans suggesting possible over supply of these crops in 2009.

“Credit Crunch”

Because farm businesses differ in the value of capital assets that they hold, and in liquidity, the impact of the “credit crunch” will vary greatly between businesses. Leaving aside the changes in values of assets that are typically held for a long period of time (residential and agricultural property, shares etc), we have been told of the following concerns:

A Shrinking Market for Premium Foods

The recent trend of adding value to farm produce and increased involvement of farmers in retail activity renders them more exposed to a downturn in the economy. Retailers report increased sale of 'discounter' ranges and correspondingly farmers report reduction in demand for premium products. At the retail level, we have reports of reduced sales at farmers markets. At the wholesale level, the problem extends to demand for organic eggs and we are aware that a group of organic egg producers recently had their contracts abruptly terminated. Regardless of market, the result is problematic for the businesses concerned. The impact is felt as both a reduction in output as well as high input costs of production of the premium product

Availability of Finance

Recent long run low interest rates have allowed forward looking businesses to expand at high but affordable levels of gearing. Their business model involves reinvestment, but there is a fear that machinery finance will become less readily available or less affordable.

During the Autumn establishment of crops, there is also the topical issue of financing working capital. Seed, fertiliser and spray inputs have all increased in price, but payment terms are less favourable leaving farmers with the difficult task of managing cash flow this year.

SOUTH EAST

Beef

Beef producers are enjoying a period of significant price rises this year. Finished steers are as much as 50% up on the previous year. Store cattle are also trading well with yearling steers making £400/head.

Sheep

Sheep prices are around 50% higher than a year ago but this time last year was a particularly grim time with the Foot and Mouth and Blue Tongue crises severely affecting the markets. Blue Tongue continues to be of major concern although the vaccine programme is well under way. In the South East the advance of the BTV1 strain through France is of particular concern (vaccines given are against BTV8). BTV8 vaccine was available in the South East from May and there was an

uptake of approximately 80%. Livestock markets, such as Ashford, require all breeders to confirm at auction whether their sheep have had the vaccine and the batch number needs to be noted. Incidences of Blue Tongue have been reported in the South East but they have been in imported animals.

The store lamb market has been very buoyant this autumn with lambs averaging around £40/head, there is a fair amount of grass about which is adding confidence to the market.

Dairy

Farm-gate milk price for July 2008 is around 25% higher than July 2007. There is some evidence that the falling wheat price is starting to affect concentrate prices. Finding supplies of good bedding straw is a problem for dairy herds relying on bedded yards. The poor harvest has led to a lack of quality straw being available. There also appears to be some knock on effect from the cost of fertiliser as farmers opt to incorporate the straw for its manurial benefits rather than bale it. The poor weather has led to a delay in the ripening of the maize crop which, if left late, increases the risk of being very difficult to harvest.

Replacement stock for the dairy herds are commanding very high prices this autumn.

Arable

Harvesting is being described one of the most difficult for many years. The South East did not suffer as badly as other areas of the country, indeed a few farmers managed to get their crops in unhindered by the weather. However, most did have problems and what started out as looking to be a season with a lot of promise saw an August with combines standing idle whilst grain sprouted in the ear. At the end of September there was still a lot of wheat to be harvested, not to mention the linseed and beans not yet in. Yields appear to have been good but quality is poor and conditioning costs are high as the crops required substantial amounts of moisture to be removed. The falling commodity prices, feed wheat spot price to the ports now only £90/tonne, has left farmers wondering if set-aside and low input cereals with minimal use of highly priced fertilisers is again looking to be the preferred option. Oilseed rape prices are now about £70/tonne below their peak but this appears to be more to do with mineral oil prices coming down rather than the poor harvest.

Horticulture

For top fruit, the season appears to be good so far. Yields and flavour seem to be good but so much depends on the marketing of the crop it is too early to tell how profitable the crop will be. The 2007 harvest looked as if it should have been a profitable crop but failed to deliver good returns in the end. The fortune of pear growers is improving after many years of poor performance with the demand for pears steadily rising.

The very cold weather in April impacted very seriously some growers with much blossom damage. The prevalence of tunnels now in the soft fruit industry means they are far less susceptible to poor weather in terms of the crop they can produce but the weather still impacts on what shoppers buy in the supermarkets and there can be accessibility problems with getting the crop away from the fields when it is very wet. A shortage of labour for picking affected some growers encouraging them to consider table top production of strawberries which is less

labour intensive to harvest. There is real anxiety amongst fruit growers about the impact of the changes to SAWS and the availability of picking labour in the future.

“Credit Crunch”

There are examples of farmers not now converting buildings for letting commercially, supply has outstripped demand.

SOUTH WEST

Livestock

The wet weather has affected livestock farmers. Opportunities for hay making were limited, whilst silage making was influenced by ground conditions. Some upland areas had still to conserve any grass by the end of the Summer.

The maize harvest has now begun, but yields will be variable, and the crop is about 2 weeks later than usual.

The quality of grazing grass has also been lower due to the wet. Lamb growth is about 6 weeks behind the norm. Currently store lamb prices are back to the level of two years ago.

Whilst beef prices has remained firm there would seem to be a lack of store cattle.

Livestock producers are heading into the Winter with the expectation that it will be an expensive time. Concentrate prices have risen, and although cereal prices have fallen, there appears little imminent prospect of a drop in concentrate prices, whilst the poorer quality forage will increase concentrate usage further. Output increases will help, but scope for re-investment is limited.

Dairy

Dairy cows haven't milked so well from grass, although the milk price increases from last year have helped margins.

Arable

The main problem over the Summer period has been the poor weather. After a reasonable start to the harvest the rain arrived in early August. At that stage areas of Oilseed rape remained to be harvested, and large losses have occurred due to shedding of the seed.

From that point the harvest was a slow process. The levels of rainfall meant that even on dry days field conditions were too poor for combines to operate. Many crops were lodged with problems of grass weeds growing back through the crop. Quality was therefore reduced, lowering prices. Drying was also difficult with old driers being pressed back into operation.

Estimates of £20/tonne to dry crops have been recorded, at a time when electricity, diesel and gas prices were all increasing. Bottled gas for drying was being rationed by some suppliers due to problems of availability.

Farms using contracted harvest machinery have been amongst the worst affected as they had to wait their turn. This was compounded by small scale farmer contractors stopping combining for others as they got behind with their own

harvest and cultivations, together with the expectations that they would be unable to charge a cost sufficient to cover their costs.

Cropping patterns may also change this autumn, after the rush to put set aside land back into production last autumn as cereal prices rose. For example there are mixed farms who have returned winter seed and fertilizer because they need a cereal price of £125/tonne to make a margin. These farmers are considering their options for the spring, and may only grow sufficient corn to meet the needs for their own livestock.

Organic Production

Organic farms are also finding that their price premiums are falling. The 30p/kg meat premium has fallen to around 5p/kg. Several farms are now marketing livestock as conventional to save the cost of moving them across the region and suffering livestock weight losses through transportation. Some of the loss in premium will be through the increase in world prices not recognizing an organic premium, whilst the drop in consumer demand is another.

Tourism

The weather has also affected the tourism industry. 2008 was a second poor season, and bookings for next year are down on last year. Two factors come into play here, the credit squeeze, and the hope that going abroad is the only way to guarantee better weather. The downturn in the economy has also hit autumn bookings.

“Credit Crunch”

Producers have been feeling their own “credit crunch” for much of the year through the increase in input prices. Incomes for many farms will have increased, but a large element of the livestock increase will have been through valuations and not reflected within their cash flow. Increased input prices have created more problems, and now the traditional deferred payment winter fertilizer agreements with merchants seem to have dried up. Therefore requirements for working capital were already increasing before the banking problems began.

Below are comments from a number of local farmers and an agricultural bank manager with the view from the manager looking more positive. However, whilst rates to farmers were traditionally around 1.5-3% above base, a number of farmers have received letters in the past few days adding a further 1.5-3% to existing rates taking them up to 6% over base. Therefore the suggestion that the recent base rate drop is being passed on may not be the situation in the real world. The conclusion here may be that financial institutions are assessing their levels of risk, and whilst owners have greater capital assets, the ability to service and repay debt may become more important, especially for tenants or highly borrowed businesses.

Beef/arable owner/occupier: *“Banks still seem willing to lend as we have just bought land locally. The drop in interest rates is helpful and generally farming does well in a recession. Milk and beef prices are improving, although grain prices are problematical and are now half (£80/tonne v £160/tonne) of what they were last year. With increased input costs especially fertiliser, the area devoted to cereals is likely to be decreased.”*

Dairy owner/occupier: "We have had some necessary short term capital expenditure and the bank seems to be slow in responding to making additional working capital available (overdraft). This has meant that we have lacked confidence to buy forward e.g. fertiliser, which we would have done had the response from the bank been quicker. Longer term borrowing (mortgage) is unaffected. Contractors are putting their bills in earlier than usual, owing to the high fuel prices, which could add to short term cash flow difficulties."

Contract & tenant dairy farmer: "No immediate major effects. We bought fertiliser ahead for next year based on our expectations of rising energy prices, which appears to have been a poor decision in light of falling fertiliser prices! (n.b. Local RO's are not unaware of fertilizer prices actually falling at present though; this may be a longer term view in the light of the crude oil price starting to weaken) The big worry is the longer term cost of borrowing; no doubt the borrower will have to pay for the support to the bank."

Tenant dairy farmer: "My bank manager told me this week that lending to farming will continue as normal, although I have not tested this yet with any major purchases. The main worry being self-employed is the value of pensions."

Livestock farmer (sheep/beef), who does some contracting (bale silage) is converting some buildings for letting: "The bank suggested that this could initially be funded through his overdraft, but would then be converted to a mortgage arrangement. They have just recently advised him that they are unable to convert to a mortgage arrangement at the present time and will continue the overdraft arrangement (at higher cost to the farmer)."

Agricultural bank manager: "The arable sector has been badly affected by the poor harvest and all have been affected by input price increases. No customer is struggling at this point and the base rate drop is very positive. The slight upward trend in borrowing might impact on land prices. The whole banking situation is having less impact on farmers than other sectors. Generally when the rest of the country catches a cold, farming does well."

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