



Intelligence from the Regions – October 2009

Status

*Twice 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**.*

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

The beef sector has seen strong prices throughout 2009; however some beef finishers have seen reduced margins due to very high store prices. Indeed, some finishers have reduced numbers because they could not see that the margins were sustainable. The fall in cereal prices will help reduce the pressure on margins. Increased store prices will have resulted in much better returns for the suckler cow enterprise.

Sheep

The reduction in sheep numbers continues with significant reductions in breeding stock sizes.

The beginning of the year saw very strong prices for lambs with the weak pound helping the export market. This continued throughout the spring with both old season lamb, new season lamb and cull ewes making very high prices. Weather conditions for lambing were good and so sheep farmers were generally much more optimistic. Hill sheep farmers were more optimistic than they had been for some time as they expected the strong finished lamb prices to be reflected in the store and breeding sales in the autumn.

The most common complaint from sheep farmers were worries over the impact of new tagging regulations. It appears that some compromise has been reached in October which will allay some of the worst fears.

Dairy

This period was dominated by the collapse of Dairy Farmers of Britain (DFoB). In March and April, DFoB farmers were vexed over whether to convert loan stock to shares with a further reduction in price. However, this was soon superseded by the collapse of DFoB in June.

Interestingly, North West DFoB farmers generally seemed to find it easier to find buyers than those in Yorkshire. The reason for this seemed to be that no purchasers were willing to take on the smaller suppliers in the Yorkshire region whereas they were in the North West.

Some farmers thought that in the longer run the collapse of DFoB might help the industry.

On a positive note for the dairy sector, cull cow prices have remained strong throughout the period and calf prices have also been good. There is now a market again for Holstein bull calves whereas a year or so ago there was no demand for them. Also, cross bred dairy calf prices have been strong due to a lack of supply of beef calves. Freshly calved dairy heifers have been making good prices also.

Grass growing conditions have generally been good throughout 2009 although a wet period in June made second cut silaging difficult.

Pigs

Pig prices have been strong throughout 2009 which has given a much needed life line to the pig sector and enabled those producers still in business to recoup some of the losses of previous years.

Arable

At the start of the year many crops looked poor following the very wet conditions in the autumn of 2008. Indeed, on heavier land considerable areas were either sown with very late 'winter' crops or with spring crops or even left unsown. The decision to leave fallow was also influenced by the high cost of inputs. One farmer decided to cancel his order for spring barley because of the high cost of nitrogen and his land was still very cold and wet.

By the end of April land conditions had improved and most planting of potato and sugar beet crops progressed smoothly. Indeed, there were some concerns by the end of April that conditions were too dry. The last week of April saw the first significant rainfall for six weeks which was vital for spring sown crops. May was a good growing month and by the end of June arable farmers were a lot more optimistic about the yield prospects for their crops.

However, early conditions for harvesting were initially very difficult, with August bringing some days of torrential rainfall.

As harvest progressed the main talking point was the very low grain prices. In October cereal prices were still low. While global wheat production was expected to be down in 2009 compared with last year's record crop, it was still likely to exceed demand and consequently there was predicted to be another increase in global wheat stocks to over 188m tonnes.

On a slightly more positive note the good news for UK growers was that grain quality was better this season, while the export surplus was lower, so reducing the discount to the French market. With the Ensus bioethanol plant in Teesside due to come on stream this season, domestic demand for wheat will also get a boost.

Finally, 2009 has been a very difficult year for potato growers. Market prices have been very low and wet conditions in August and early September made lifting very difficult especially in North West. For farmers not on a contract price 2009 will not be a good year for potato growers.

NORTH WEST

Beef

The beef sector has been buoyant during 2009 with good sale prices being achieved. However, for some trading systems the high prices for purchased stores are resulting in low margins being achieved for finished animals.

Sheep

The weakness of sterling has had a beneficial effect on the export market resulting in very good prices for lambs, especially in the early part of 2009. The favourable market conditions continued as new season lamb was traded with cull ewes also realising good prices. The autumn breeding sales are expected to realise strong prices and thus some optimism for hill sheep farmers.

Dairy

The collapse of Dairy farmers of Britain has been the main focal point in 2009. North West DFoB farmers generally seemed to find it easier to find buyers than some others with First Milk and Wiseman taking on a lot of the contracts.

EAST MIDLANDS

Farmers are concerned that the recent outbreak of e-coli (one case being at a large and well known farm centre in the East Midlands) will have a negative impact on the general public's image of agriculture. The national 'Open Farm Sunday' event, held in the summer of 2009 was deemed to be a great success, with many East Midlands' farmers taking part and seeing it as an opportunity to promote their industry.

Beef

Beef farmers continue to benefit from good prices for finished animals. Suckler herds, whether selling weaned animals or older store or finished animals are showing good margins, helped by lower feed costs. However, margins from strong stores purchased at high prices in the spring are smaller. The increased availability of grass keeping (due to less intensive livestock systems or farmer exits from agriculture) produced lower costs for short term grazing.

Beef farmers have struggled with forage conservation due to the wet summer period. Many face the prospect of increased costs through having to buy in forage or feed concentrates to supplement poor quality fodder.

Sheep

Sheep farmers continue to benefit from good prices for finished animals. The introduction of mandatory electronic tagging of sheep from December 31 2009 continues to be of concern to farmers, although many are happier now that they will not have to buy expensive tag reading equipment following the concession that the reading of tags can be done at markets and abattoirs. However, considerable doubt exists amongst farmers that the tagging scheme will be able to commence on the due date owing to the short supply of tags.

Dairy

Dairy farmers continue to be frustrated by milk buyer's slow implementation of increased liquid milk prices on the back of improved world commodity market prices.

The collapse of Dairy Farmers of Britain has added to the downbeat mood of dairy farmers in general. Most DFoB suppliers have found another buyer but sometimes at the expense of an inferior milk price compared with producers already signed up with the buyer. The loss of a month's milk cheque (coupled with losses associated with capital invested in DFoB) will have a serious impact on final incomes for the 2009/10 milk year. Some dairy farmers took the 'opportunity' to exit the dairying industry.

Dairy farmers, continue to be challenged and concerned by Nitrate Vulnerable Zone (NVZ) regulations. Many, after undergoing official assessments of their slurry, waste water and manure storage facilities are facing the prospect of significant investment in waste handling facilities, whilst seeing very little in return. This, coupled with succession concerns and low milk prices continues to drive the exodus from the industry; a process that is further fuelled by the high price of dairy cows making the prospect of selling up more attractive.

Arable

After a difficult start to the harvest, farmers took advantage of some drier weather in mid August with the majority of oilseeds and cereal crops being harvested by the end of the third week in August.

Yields for oilseed rape and cereals are predicted to be poor and approaching the low levels of the 2007 harvest but without the prospect of the high prices that accompanied that particular harvest year. On the positive side, the quality of grain appears to be quite good.

Farmers are pessimistic about the prospect of price increases as the 2009 crop marketing year progresses. Many cereal farmers have carried over grain stocks from the 2008 harvest as they held on to grain in the hope of price increases during the first six months of 2009. This fact, coupled with the knowledge that world stocks of wheat are likely to exceed demand leads many farmers to think that prices will remain flat and will not cover the costs of production.

The dry weather of late August and September 2009 caused concerns regarding the germination of early drilled crops. Crop emergence has been patchy for crops drilled into ploughed land. However, crops drilled deeper, using minimum tillage methods are looking better. The lack of rainfall is also having consequences for harvesting root crops with the hard soils making harvesting difficult. There is evidence of major retailers rejecting "damaged" potatoes caused by lifting in dry conditions; indeed some are "irrigating" to ensure a better lift.

Credit "crunch"

Evidence suggests that on-farm retailing of own produced organic meat is suffering from the recession with consumers beginning to turn away from organic produce or opting to buy only the cheaper cuts.

Farmers are not reporting any significant difficulties concerning overdraft or long term loan arrangements as a consequence of the credit crunch, although some are complaining about "extra" fees or higher arrangement fees being charged to their accounts.

WEST MIDLANDS

Beef

Beef farmers are generally in "good spirits", it has been a good summer for grass growth and there is a decent amount of forage available going in to the winter. The improvement in beef prices has been sustained with the increase in exports cited as one of the main reasons. Cattle prices are still holding strong due to limited availability, partly down to the markets being quiet with post harvest operations taking off due to the fine September weather.

The TB movement restrictions are having a distinct impact on all the farming systems that it affects. Beef producers are reducing cattle numbers to ensure they have capacity to finish cattle if they cannot sell them as stores, farms set up for finishing large numbers of cattle are not being able to find the numbers they require and this is sourcing from both the suckler and dairy systems.

On another positive note an abattoir in Bishops Castle is to re-open after a two year closure. Investment from local farmers has ensured that there continues to be a local meat supply in the area, and it will assist many local farmers by reducing the distance they have to travel with their livestock.

Sheep

Sheep farmers are generally in "good spirits", it has been a good summer for grass growth and there is a decent amount of forage available going in to the winter. Lamb prices have held up well over the summer and although markets are reporting a good demand from buyers, lamb prices have just dropped back slightly in response to larger volumes being traded.

Dairy

Farm gate prices for milk have fallen this year, and although concentrate feed bills are also down, dairy farmers feel that they are still worse off than they were a year ago. The exodus from the industry continues which reinforces the seriousness of the financial situation of the sector. Morale is not helped with the threat of milk imports becoming a regular feature. A feature of the dairy industry that is becoming significant is the wide disparity in farm-gate prices. Those producers fortunate enough to have a contract linked to one of the major retailers for example, Tesco and Marks & Spencer are receiving premium of up to 5p per litre compared those with basic contracts.

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 increasing incidences of TB continue to cause anxiety among dairy farmers. Badgers are still very much an issue of contention, much more than the possibility of bluetongue. Although bluetongue is an additional annual expense to the vet bill, the discussion revolves around the timing of the vaccination, a poorly

timed vaccination can result in ewes not being in lamb and putting back lambing dates.

The collapse of Dairy Farmers of Britain was a major blow to the confidence of farmers and for the industry it demonstrates its fragility. Although not the first farmer-controlled milk business to fail, it was the largest and has had severe repercussions for many producers, particularly those with small herds and in more remote areas. Another aspect of the collapse of DFoB was lost investments and to quote one farmer "that was my retirement fund".

Dairy farmers are responding to financial pressures by making cost savings, especially reducing paid labour. Whilst cull prices are high by recent levels, lower output overall and the lag in the reduction of input prices sees the continued trend in many ceasing milk production. Evidence shows smaller herds are disappearing as farmers near retirement and very large producers are investing for further expansion in anticipation of another round of higher milk price when the world economy starts to grow.

Pigs

Profitability on this enterprise is largely influenced by concentrate feed prices so the reduction in cereal prices will be welcomed. Pig prices have increased significantly on those of the previous year, and some concerns about the future of the industry have eased.

Poultry

Profitability on this enterprise is largely influenced by concentrate feed prices so the reduction that lower cereal prices should bring will be welcomed. 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 altogether.

Arable

The 2009 harvest was characterised by wet conditions in early August with a very slow start being made throughout the region, although the situation then improved significantly in late August and harvest progressed smoothly without the problems and delays of the previous year. As a result, drying costs were very much lower than those associated with the 2008 harvest. Average crop yields in 2009 were generally lower than those of the previous year, which combined with lower values, will lead to a reduction in output. The full impact of the increase in fertiliser prices will manifest itself in the 2009/10 accounts and it is anticipated that profitability on cereal farms will be down on that of the previous year.

Although the 2009 harvest has been more successful than last year there is much disappointment over the lower value of the crop and with increasing input costs. As a consequence there is renewed interest in the Higher Level Environment Stewardship Scheme, where it is available.

Due to the recent wet summers there has been a move towards crimping of grain for home consumption on farms with livestock as this method has fewer issues with moisture content.

The very favourable post-harvest weather conditions have meant preparations for the 2010 crops are ahead of a year ago, although a very dry September has led to some problems with seedbed establishment and germination.

Potatoes are being lifted at a steady rate with good yields being reported, although there has been concern over the lack of rain in recent weeks with some larger operations resorting to irrigating the crop before harvesting to avoid damage to the tubers.

Horticulture

Hardy Nursery Stock and flower production

So far this has been a better year after a very disappointing couple of years. However, the wet weather in July and August saw demand fall, albeit at the quietest period of the trading year. However, the very dry weather in October is causing problems for wallflower growers with lifting young plants without damaging them. Garden Centres are competing hard for business as consumers are spending less money during the credit crunch.

Top Fruit

The plum harvest this year was above average and significantly better than last year. Consequently, prices have not been high, and growers without supermarket contracts have struggled to market the whole of their crop.

The apple crop has also yielded well, although prices in the words of some growers have been "woeful". Despite the benefit of the weak pound, there is still competition from imported apples where Europe has also experienced a good harvest. However, it is early in the marketing season and the situation could improve quickly. A major factor for all involved in the sector is the high incidence of promotions by supermarkets funded by growers. Heavy rain in August has resulted in higher levels of fruit cracking [10% compared with 5%] resulting in crop diverted to the cheaper end of the market occupied by apple juicers.

The cider crop yielded very well and has been a bumper crop as demand continues to be strong.

Organic

The organic sector has seen a marked dip in the current economic climate and consumers have shown they are reluctant to pay a premium for organic produce; recent report questioning the nutritional value of organic produce was not helpful in this regard.

Several organic dairy farms are finding the current economic climate very difficult. With demand for organic food depressed and driving down prices, converting back to conventional farming is becoming an option for some organic farmers.

Credit “crunch”

Overall, there is little of changing practices within the agricultural industry as a result of the financial downturn than we had expected. However, many farmers have seen an increase in interest charges on current accounts. This is not a matter of serious concern whilst the base rate is low, but might become so if the base rate is raised.

With the prevailing reduction in the grain price, the balance sheets of tenant farmers have potentially weakened. We sense that the banks have not provided the expected flexibility to tenant farmers by offering sufficiently high overdraft limits and overdraft arrangement fees can be expensive. Although land prices have stabilised, demand remains strong with added interest from financial institutions, particularly since investment in property has become less attractive. Given the number of rent review notices that have been issued, many tenant farmers are facing significant rent increases.

EAST

Beef

Following a sustained period of high cereal prices and consequently high feed costs, livestock producers are currently enjoying improved prices for animals sold but lower feed costs.

Arable

Uppermost in farmers’ minds in recent weeks has been the consequences of sustained dry weather. There has been insufficient soil moisture to promote oilseed rape germination. A related problem is that blackgrass has not germinated either so control of blackgrass by glyphosate application to stale seedbeds has not been effective.

The dry weather has made cultivation more expensive with high replacement costs of wearing parts and reported delays of imported wearing parts for cultivation equipment. We have seen older cultivation equipment, including power harrows, used for the first time in several years. Much of the recent considerable investment in cultivation capacity in the last few years has included machinery suited to the wetter conditions of previous years. However our dialogue with farmers suggests that many have pursued a cautious strategy of purchasing high capacity and minimum tillage equipment, but retaining existing ploughs, secondary cultivation machinery and drills as a fall back if needed. They have therefore reduced labour costs at harvest but increased, and in some cases duplicated, depreciation costs.

As government and commercial organisations issue their estimates of 2009 harvest crop yields, many farmers have been encouraged that yields were higher than their expectations based on observation of their own crops during the dry conditions of the spring. Farmers across the East of England on a range of soil types have commented on this.

Growers welcomed the opportunity to grow Canadian hard red wheat for RHM on a contract basis. In 2009, red wheat performed well on fen soils and on heavy soils, although not when drilled late into wet soils. Sufficient wheat was produced

for RHM to market a British loaf. Prices offered to growers for 2010 will be a little less generous than in the first year of the arrangement.

The sugar beet and potato harvest has been made difficult by the dry conditions. Some farmers with the capacity to irrigate have resorted to applying water to mature sugar beet to facilitate lifting. Despite this, Cantley sugar beet factory received only half of the required production at the start of the 2009 campaign.

Early reports from sugar beet producers are of very high sugar contents exceeding 20 per cent. British Sugar and the NFU have concluded their negotiation of the sugar beet price. One reason for the difficulty in agreeing the price is the considerable variation in production cost between producers and the differing combination of production and haulage cost. Previous research has shown that some producers consistently lose money from sugar beet production whilst others would be able to continue production at considerably lower prices. Recent changes to the contract make it less risky for producers to deliver less than their contracted tonnage and most producers in the East of England use contractors to harvest their sugar beet. For these reasons, they are flexible to change the area of the crop according to the price of competing commodities.

In spring 2009, a shortfall in sugar beet production created an opportunity to replace failed winter oilseed rape crops with sugar beet on some farms.

Horticulture

The collapse of Woolworths, earlier in 2009, was of concern to producers contracted to produce plants for the chain. But other producers were also worried that the release of production onto the market would reduce prices.

SOUTH EAST

Beef

Trade prices look promising being approximately 20% up on last year. With barley prices down bull beef margins look more attractive again. A Europe wide shortage of beef and the weakening pound also add confidence regarding making a margin. A lack of grass has dampened numbers of finished cattle offered for sale this autumn and impacted on the quality of some culls coming to market. The store market is very strong with an anticipated shortage of store cattle boosting demand. Demand for breeding beef cattle is strong with prices up as much as a third on the previous year.

Sheep

Dry weather from mid July onwards and a shortage of grass has led to lambs being marketed earlier in the season than usual. Prices have been good with finished lamb some 10% up on the same time last year. A number of producers fed ad-lib concentrates through the summer and made good returns. There remains a consistent demand for light lambs to supply the ethnic trade with quality stock making £48 to £54 a head mainly straight off grass. Farm assured status is becoming essential with certain buyers now restricted to buying only animals which are from registered farm assured producers.

Young breeding sheep are in short supply. The strong market for hoggets in the spring saw potential ewe tegs sold off for meat.

Sheep tagging remains a major concern for the industry but regulations now seem to be reaching a practicable resolution. In discussion with one farmer he does see an advantage with having an individual tagging system for sheep but does have concerns over the management practicalities.

Blue Tongue Vaccine has been seen to be responsible for problems with getting sheep in lamb. Farmers experience has been that it affects the productive fertility cycle and extended lambing periods.

Dairy

Milk prices continue to be a major concern to producers. Milk quota prices rallied during August but fell back again in September. Replacement stock continues to be expensive; however, the improved income stream from the sale of cull cows is a welcome benefit after years of receiving low prices through the OTM scheme.

Some producers are embarking on major investments in the region due to confidence found in liquid milk contracts for London based dairies. Feed prices are on average lower than a year ago, but are still significantly higher than before the major increase that occurred in 2007.

NVZ compliance is an issue on the minds of some producers, the costs involved in the context of the low margins are difficult to fund. Some farmers are having to manage their calving patterns differently so that cattle are housed for a shorter period in the winter.

More dairy farmers are growing forage maize under plastic in anticipation of higher yields and a shorter growing season.

Arable

Harvest in the South East was less affected by the wet weather that held up other areas of the country. Overall, a good crop with some high quality samples has been reported. However, high quality and above average yields in Europe has pushed the prices down, in spite of the price benefit arising from the weakening of sterling.

Fertiliser, spray and fuel costs have increased substantially in the last two years and questions are being asked concerning the profitability of cereals on the more marginal land. The cost of producing the crop can easily exceed its value when prices are at their current level.

Establishment of oilseed rape into dry ground has been patchy with some resorting to irrigation to get germination at all.

Horticulture

Hardy Nursery Stock and flower production

The ornamental sector has been variable this season with some reporting very good sales whilst others are well down on last year. The weather helped boost garden centre sales this summer along with the big increase in grow-your-own vegetables but the outlook for the next twelve months is not positive with the impact of the recession expected to dampen sales.

Top Fruit

Top fruit growers have not had a good marketing season for their 2008 harvested fruit with prices being very disappointing, in particular for the culinary crop. The plum crop in 2009 has been a disaster for many growers as good crops have been left on the tree to rot for want of a buyer. The poor supply of English plums in 2008 sent supermarkets looking elsewhere for plums. However, this year when there was a good supply of the English crop the buyers still looked elsewhere to source plums leaving only a small amount of shelf space for the English plums. An excellent apple crop has been picked this year, although volumes are down, and only time will tell how well it will sell. Conversely, the pear crop could be up by as much as 30% in volume with a fine quality of fruit. Pears were the success story of 2008 so there is optimism that they will do well again this year.

Horticulture sales of edible produce have remained strong with a strong demand for locally grown produce through direct sales to the public, although the organic label is not seen as important. There has been big investment in fencing and pest control in establishing new orchards.

Salad Crops

Salad prices have been poor in the markets this summer, in spite of the weather. Prices for iceberg lettuce have been between 65 and 75% of the cost of production. The general down turn in the economy and the decrease in people eating out is thought to be a contributory factor. Supply has exceeded demand. Labour supply has been good but there is a general feeling that it is getting less productive. The minimum guaranteed wage has meant that staff would rather work longer hours with a guaranteed hourly rate than try to increase their earnings by working harder for fewer hours and getting the benefit of piece work bonuses.

Credit "crunch"

Specialist horse farms have seen a general decrease in horse livery in recent months but not significant enough to prevent continued capital improvements in anticipation of the economy recovering in 2010.

There has been an increase in farm thefts of land rovers and tractors.

As a result of the poor exchange rate for sterling, the European work force has been discouraged from returning to the UK for seasonal work.

SOUTH WEST

Beef

Increased livestock values were a major factor in the increase in profitability of farms in this sector last year. Finished prices have been higher again this summer. However, for those producers' relying on purchased stores; the higher costs of replacement animals has reduced margins, combined with an increased level of working capital being required.

Farmers within the LFA are frustrated at the lack of details coming from Defra regarding the Uplands ELS regulations, while the HLS scheme would have many more applicants if funding was thought to be available.

Sheep

Increased livestock values were a major factor in the increase in profitability of farms in this sector last year. Finished prices have been higher again this summer. The unfavourable summer and autumn of 2008 combined with a harder than normal winter resulted in lower surviving lamb rates this year particularly in the Upland areas of the region. Consequently producers will not experience the full benefit of the higher lamb prices in 2009.

Generally within the sheep industry there is concern over the compulsory EID regulations and there is still a lot of confusion over what is actually going to happen.

Dairy

Dairy farmers have benefited from an improved milk price through last winter; at the same time they too have suffered from higher fertilizer prices, together with an increase in concentrate costs. Whilst the cereal cost element of feed rations will have eased there is concern over high soya prices. In addition the poor growing season will have affected silage quality, which potentially could mean lower production through the winter.

The rapid change in dairy incomes has led some farmers to reconsider their re-investment plans, and an attempt to save costs yet again.

The failure of DFoB was also felt across the region, with farms losing not only payment for a month's milk, but also their accumulated capital within the Company. Finding alternative buyers for their milk hasn't been easy for these producers, and sometimes the terms have been less favourable. The Wiseman/Tesco cost tracker contract originally viewed with much suspicion and mistrust is, currently, proving to be a stabilising force in the liquid milk market encouraging other processors to maintain their prices. However some producers are still wary of how the retailer will ultimately use the data, but are currently grateful for the benefits that it brings through an enhanced milk price.

There is a particular concern for dairy farmers about the current NVZ regulations and the full implications of complying with the requirements of the legislation. Those older producers without successors will find it more difficult to justify the levels of investment required in their farming lifetime. There will be other producers where even with current levels of profitability, who will find it difficult to justify the levels of likely capital investment demanded to continue in their

current production system especially where significant sums of money have to be borrowed. The coincidental timing with CAP reform in 2012 means many older producers are considering ceasing production. The current decline in milk price is also making any future re-investment plans look less attractive, with the situation for tenant farmers being more complicated as investment from the landlord will also be sought.

Arable

A third difficult summer in a row has produced lower than expected crop yields, and of a much poorer quality, and thus prices have remained low. The wet weather also led to higher drying costs and storage problems. A number of crops were also taken as whole crop silage earlier in the summer when it became evident that prices were not going to increase.

Compounding the poor grain prices, growers were faced with a jump in input prices; whilst high gas prices were cited as the reason for the dramatic rise, it has been suggested that there has been some profit taking by merchants and suppliers. The prevalence of only one domestic fertiliser producer is also worrying in terms of how free the market has become. The high prices paid by some farmers for fertiliser and crop protection together with the collapse in cereal prices will mean that many cereals grown for the 2009 harvest are expected to produce a negative gross margin in next years accounts.

Some farmers aware of the high input prices switched to less nitrogen hungry crops, spring sown crops, cut application rates or chose not to grow a crop at all.

The improved weather in September did mean that few crops were completely lost, but it has also allowed farmers to catch up with their cultivations and autumn planting, with lower fertilizer prices, but little prospect of higher grain prices. The extent to which the weather during the past 3 years has damaged soil structures is still unknown despite remedial action having been taken.

Organic Production

In line with conventional milk production, organic milk prices have dropped during the year, with some being sold into the conventional market due to a combination of increased supply, and reduced demand.

Organic producers of beef and lamb are concerned by the very small premiums they now receive for their produce which coupled by high input prices make current trading very difficult. Oversupply is becoming an issue with newly converted producers moving into the red meat sector at a time when consumers have become more cost conscious due to the recession.

Bovine TB

Bovine TB remains the largest day to day threat to the dairy and beef industry in the South West. Many producers feel resigned to the fact that they can do nothing about it and it is just down to bad luck and remain disillusioned with the current approach taken to control of this disease taken by Defra. While the loss of reactor and inconclusive cattle is compensated, the largest cost is associated with housing and feeding cattle under movement restrictions that would have normally

been sold on as this presents a loss of income coupled with the extra expense of housing and labour.

Plans to vaccinate badgers have been met with astonishment and disappointment, with some farmers looking to further reduce the contacts between cattle and the wildlife reservoir by starting to keep their cattle housed for longer periods and incur higher feed costs rather than risk infection associated with grazing, or in extreme cases to prevent any access by badgers to their premises

Credit “crunch”

The drop in bank base interest rates has been of some benefit to farmers, and some restructuring of loans have occurred, or accelerated loan repayments. However the full decrease in base rates was rarely full passed on to farmers by the lending institutions. Some sources of revolving credit often based around fertilizer are also coming to an end, forcing producers to pay earlier than before, bringing the need to look for alternative sources of funds, or increased overdraft facilities.

The level of paper work and bureaucracy imposed on agriculture is still a concern. The Audit Office report on the performance of the RPA will not come as much surprise to many farmers.

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