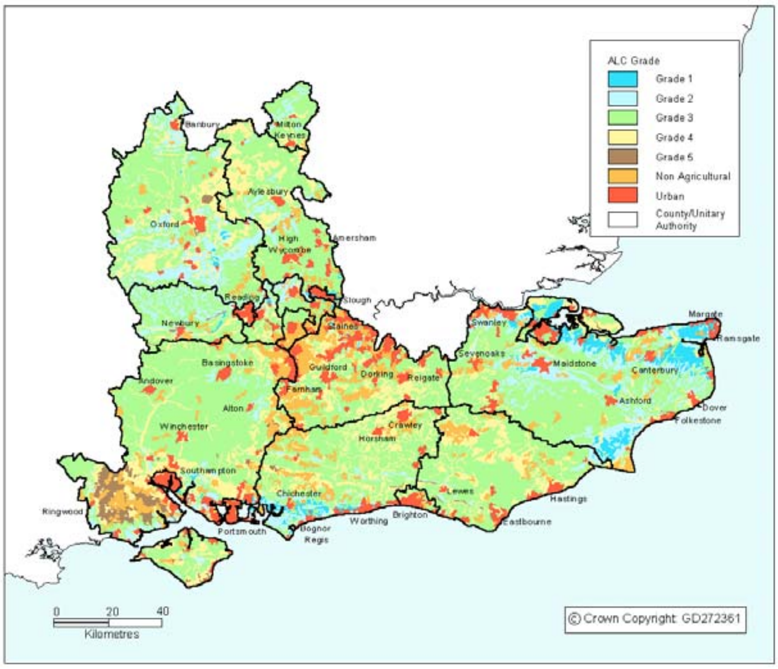
The Nature of Farming in London and the South East Region

The varied soil types of the South East of England give rise to a range of farming systems. Average land quality throughout the region is only moderate with 12 per cent of the land being classified as grade 1 and 2 compared with 16 per cent for England. However, the amount of grade 4 and 5 land is also below the average for England at just 12 per cent compared with 21 per cent for the whole of England. The extensive chalk downland of the North and South Downs supports arable and grazing livestock production. The soil conditions of the weald, comprising silty soils and well drained coarse loamy soils, have given rise to the development of a strong horticultural industry in the south east. For example, deep soils around Canterbury favour top fruit production. The High Weald remains one of the areas traditionally associated with growing hops for beer-making as well as supporting a number of successful vineyards. Field vegetable production is carried out in Kent and coastal areas of Sussex, and brassica growing is practiced in East Kent. In Hampshire, the shallow well drained calcareous silty soils, over chalk, provide good land for cereal growing. Arable, livestock and horticultural production also takes place within outer London. The deep-water port at Southampton provides an important outlet for cereals produced in the South East.

The proximity to London of many producers in the South East has provided opportunities for retailing of farm produce through farmers markets and other outlets, as well as supplying hotels and restaurants in the city. Other types of diversification also benefit from this ready market, for example, the letting of farm buildings for storage, light industry and offices.

Within the South East, the New Forest achieved National Park status in 2005. In March 2009 the creation of a South Downs National Park was approved and it officially came into being on the 31st March 2010. The landscape of the South Downs is best known for its ancient chalk downland, a man-made feature resulting from constant grazing by livestock over thousands of years. Unlike other National Park landscapes, around 85 per cent of the South Downs is farmland with a high proportion of arable cropping. One third of the South East region is designated as Areas of Outstanding Natural Beauty (AONB) and there are 74 kilometres of Defined Heritage Coasts in the South East. None of the land is classified as Less Favoured Area (LFA) but there are areas of the Chilterns and the South Downs that meet the criteria applied to other areas of the country to qualify as such. Figure 1 illustrates the land quality and use found in the south east of England.

Figure 1. Land Quality and Use in London and the South East (Source: Defra)



The Contribution made by the Farming Sector in London and the South East of England

The London and South East Government Office Region (GOR) represents 15.8 per cent (20,641 sq km) [1] of the total land area in England and supports a population of 16 million (mid-2009 estimate), 7.7 million of whom live in London [1]. The South East is the most densely populated region of England. Agricultural holdings represent 11,467 sq km or 56 per cent of the land area [2]. As a measure of the economic significance of agriculture to the region, total agricultural Gross Value Added (GVA) for London and the South East is £752.2 million (2009 estimate)[3]. Nationally agriculture contributes 0.59 per cent of GVA. Gross output for agriculture in the region is £1,721.5 million, 12 per cent of the agricultural output for England [4]. Whilst farming represents a relatively small proportion of the region's economic activity, it is the sector that maintains the important landscape assets which attract people, businesses and visitors to the region.

The total workforce in the South East was approximately 7.8 million in 2009, down from 8 million in 2008 [5]. In 2009 51,786 people were employed in agriculture, a decrease of 9.8 per cent on the previous year. However, the proportion employed by the agricultural sector within the region has increased marginally to 0.68 per cent. Nationally, agriculture accounts for 0.9 per cent of the workforce [6].

The Contribution made by Farming in London and the South East of England to Farming in England

Agriculture in the South East occupies 13 per cent [7] of the total agricultural land in England. The predominant farm type in the region is lowland grazing livestock; 44 per cent of the agricultural land in the region is grassland. Figure 2 illustrates the distribution of holdings between farm types in the South East.

Figure 2. Number of Holdings by Farm Type in London and the South East GOR [2]

Farm Type	No. of Holdings
Cereals	3,266
General Cropping	540
Horticulture	1,801
Specialist Pigs	423
Specialist Poultry	960
Dairy	515
Lowland Grazing Livestock	5,376
Mixed	1,223
Other	15,442
Total	**29,546**

Figure 3 shows the cropping and stocking found in the South East in 2009. Cereal cropping is prevalent in the region occupying 65 per cent of the cropped land area. Horticulture is important, particularly in Kent, West Sussex and Hampshire; the South East region accounts for 15.1 per cent of the total land area used for horticultural production in England. Kent is famous for its orchards whilst many large glasshouses may be found on the West Sussex coast and the Isle of Wight. A significant number of nursery stock producers are also present, supplying the relatively large population (26 per cent of the English population live in London and the South East [2]) in the region. Just 6.3 per cent of the national pig herd is reared in the South East, and 8.5 per cent of England's poultry are kept in the region.

Figure 3. Agriculture in London and the South East 2009 [2]

Land Use	Hectares	% of England
Crops	529,099	13.8
Bare Fallow	40,600	17.6
Grass under 5 years old	77,985	12.2
Grass over 5 years old	420,719	12.2
Sole right rough grazing	32,224	5.5
All other land	30,957	9.5
Woodland	90,499	25.4
Total area on agricultural holdings	**1,222,083**	**12.9**
Crops	**Hectares**	**% of England**
Cereal crops	341,824	13.2
Other arable crops	160,251	16.3
Potatoes	4,033	3.7
Horticulture	22,990	15.1
Livestock	**Numbers**	**% of England**
Cattle and calves	444,761	8.1
Sheep and lambs	1,310,797	8.7
Pigs	234,648	6.1
Fowl	9,964,367	9.0
Labour		
Workforce in agriculture	58,014	16.0
Regional workforce	7,945,500	

The large area of cereals grown during the 2008 harvest (357,005 ha) reduced by 4 per cent to 341,824 ha in 2009. The area of bare fallow land increased by 46 per cent in the same period, up by 12,797 ha, however, this increase occurred across the country as a whole maintaining the South East proportion of bare fallow in England at 17 per cent.

All livestock groups have seen a decrease in numbers in 2009 with the exception of poultry, increasing the proportion of poultry in the South East from 8.5 per cent to 9 per cent. Cattle and calf numbers have declined by 2 per cent, sheep and lambs by 4 per cent, and pigs by 3 per cent on the previous year. However, this reduction has been seen across the country maintaining the proportion of cattle, sheep, and pigs in the South East at the same levels.

Figure 4 shows the distribution by size in hectares of the same population of farms shown in figure 2. DEFRA has implemented a new methodology in the analysis of June Survey results from 2009, excluding farm holdings under certain size thresholds [2]. There are 87 per cent of farms within the <5 ha that are now classed as non-commercial [2] compared with an average of 84 per cent for England suggesting a proportionally higher number of lifestyle farms within the South East region.

The sample of farms being surveyed in the FBS is not identical in the two years; therefore some of the apparent structural change may be caused by sample turnover as well as changes within individual farming businesses.

Figure 4. Farms by Size (ha) in London and the South East GOR [2]

Farm Size Band	No. of Holdings All Farms	No. of Holdings Commercial
<5ha	13,911	1,869
5 <20ha	6,467	4,831
20 < 50ha	3,641	3,192
50 <100ha	2,261	2,092
>=100ha	3,266	3,174
Total	**29,546**	**15,158**

2009/10 FBS Year (Harvest 2009)

Weather

Autumn 2008 was noted as being particularly wet across the London and South East Region. The region did fare better than the rest of England as a whole where rainfall amounts were 36 per cent and 23 per cent higher than the seasonal average in September and October.

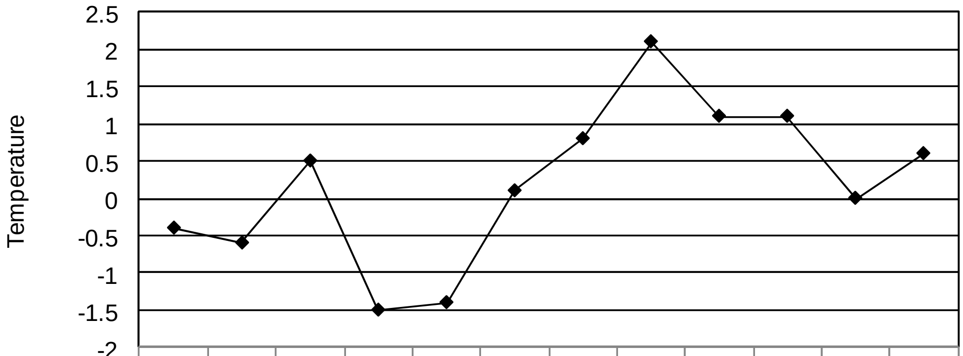
In comparison to the regional averages, rainfall was 8 per cent higher in September, 13 per cent lower in October and 24 per cent higher in November. These wet conditions followed what had been a wet summer with a late harvest. As a result, autumn cultivations were delayed or even postponed to spring, leading to lower winter tillage's for 2009. Mean temperature recorded in the region was below average during the months of September and October while November saw temperatures 12 per cent above the seasonal average. Sunshine hour's anomalies varied across the season with October being the sunniest month, receiving 126 per cent of the seasonal average hours. September and November saw 10 per cent and 33 per cent fewer hours of sun in comparison with the seasonal norm.

The winter proved to be cooler than the seasonal averages with temperatures being 1.1^{o}C and 0.9^{o}C lower in the months of December and January. Sunshine hours over the same period increased with 61 per cent and 20 per cent more hours of sunshine during December and January. December saw just 61 per cent of the average rainfall for the month while January and February saw 116 per cent and 128 per cent of average rainfall respectively. February was a month of two halves, the first seeing considerable snow falls in the region. The colder sunnier conditions broke down in mid February leading to the month overall achieving above average temperatures and below average levels of sunshine. A maximum of 15.4^{o}C was recorded at Kew Gardens on 27th February 2009.

Spring 2009 was warm, sunny and dry and was ranked as the fifth warmest spring in a data series dating back to 1914. Mean temperatures were significantly higher during the period March to May; temperatures were 1.4, 2.3 and 1.4 degrees above the seasonal norm during the period referred to. Sunshine hours in the region mirrored this theme with 52 per cent, 21 per cent and 13 per cent more sunshine hours recorded in March to May respectively. In line with the warm sunny conditions, rainfall was considerably lower; during the same period rainfall was 38 per cent, 22 per cent and 26 per cent lower than the seasonal norm.

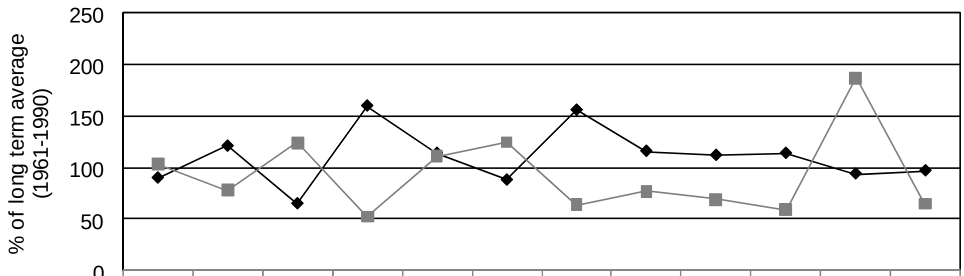
The summer months followed a similar pattern as seen in the spring. Mean temperatures were 8 per cent, 3 per cent and 7 per cent higher June to August. Sunshine hours were also 10 per cent and 3 per cent higher during June and August and close to average during July. Rainfall during the period was more variable. June saw 39 per cent less rain than the norm while July proved to be a wet month receiving 72 per cent more rain than the seasonal average. Nationally the country fared worse and the month was noted as being the wettest July in a data set dating back to 1914. These conditions made the first weeks of harvest very difficult. August, however, saw a return to drier conditions for the region with August rainfall being just 61 per cent of the seasonal average [9].

Figure 5. Temperature (°C) Anomalies- 2009 Growing Season [9]



	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
[°C]	-0.4	-0.6	0.5	-1.5	-1.4	0.1	0.8	2.1	1.1	1.1	0	0.6

Figure 6. Sunshine and Rainfall Anomalies- 2009 Growing Season [9]



	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
sun	90	121	65	160	114	88	156	116	112	114	94	97
rain	103	78	124	52	111	125	64	77	69	59	187	65

Husbandry Issues during the 2009 Harvest Year

Bovine TB is a continuous challenge for primarily the cattle industry but the pig industry is becoming increasingly concerned with the situation now that 40 cases have been identified during an 18-month period in 2009/10 [9]. In 2009 the numbers of cattle reactors in England decreased to 24,500 from 26,038 in 2008 [10,11]. The problem is most concentrated in the West Country and Wales but Sussex is now considered as an area of high risk and is subject to annual testing with a recognised established wildlife reservoir for the disease. Within eastern England, which includes the South East GOR, 1,297 cattle were slaughtered as reactors, (5 per cent of the total culled across England) [11]. Vaccination programmes have been proposed within six identified hotspots, all being outside the South East region. The new coalition government have embarked on a consultation for a carefully managed science led policy of badger control where there are high and persistent levels of the disease

The worry over the bluetongue virus has reduced with a large decrease in incidents within Europe in 2009; only 2 incidents of the BTV 8 serotype were reported in 2009 in Europe [12].

Bleeding calf syndrome, a disease present in Europe since 2007, was reported in the UK in 2009 on a small number of farms across the country. It is always fatal and the cause of the disease is unknown, which is worrying for livestock farmers if the relatively low incidence does increase in the future.

The continuing low incidence of BSE and Scrapie has lead to discussions to relax controls aimed at the diseases. Proposals include lifting BSE testing from 48 months and removal of risk materials in the carcass and including re-utilising bonemeal in livestock feed [13].

Figure 7. Combinable Cropping in London and the South East – 2008/2009 [2]

Crop	Area 2008 (ha)	Area 2009 (ha)	+/-
Wheat	257,736	228,763	-11%
Winter Barley	26,387	27,364	4%
Spring Barley	47,918	61,900	29%
Oats	22,203	20,675	-7%
Other Cereals	2,762	3,122	13%
Field Beans	20,209	32,694	62%
Peas (dry)	4,658	6,576	41%
Oilseed Rape	88,380	82,281	-7%

Cereal areas in the South East for the 2009 harvest reduced by roughly 16,000 ha, with wheat areas 11 per cent lower. Planting conditions were problematic and wet, though less so compared with other areas of the country. However, crop establishment was affected. This may explain the large reduction in winter cereal and OSR areas, and increase in spring planted crops such as barley, beans and peas. The sustained low price per tonne throughout 2008 may also have been a contributing factor.

The 2009 UK harvest itself was very much divided with the South East escaping much of the rain that dogged other areas of the UK. As a result yields were above average and quality was good, however, the wet autumn and warm but dry spring meant second wheat yields were lower than expected; broadly yields were above the UK average.

Figure 8. Combinable Cropping in London and the South East - 2008 and 2009[14]

Crop	T/ha	
	South East	UK
Wheat	8.2	7.9
Winter Barley	6.6	6.4
Spring Barley	6.0	5.5
Oats	6.1	5.8
OSR	3.4	3.4

The potato harvest in 2009 was 6.2 million tonnes, a rise of 6 per cent and the area grown increased by 1 per cent to 107,877 ha. The drier conditions at the end of harvest caused problems with lifting the crop, leading to more damage to skin and bruising. The South East growing area contributes 4 per cent to the total area of potatoes grown in England [15].

Growing conditions for top fruit were ideal leading to a high quality crop of apples and plums. New apple orchards stocked with modern varieties were also reaching optimum production, further increasing production, though the drier summer reduced overall yield

[16]. However, there was increasing exasperation amongst plum growers at the lack of interest from the supermarkets in purchasing the UK plum crop; one spokesman cited the fluctuation in supply caused by the exceptionally poor harvest in the previous year as a reason [17]. Soft fruit production was also helped by the good weather and a greater supply than normal of labour due to the recession taking hold.

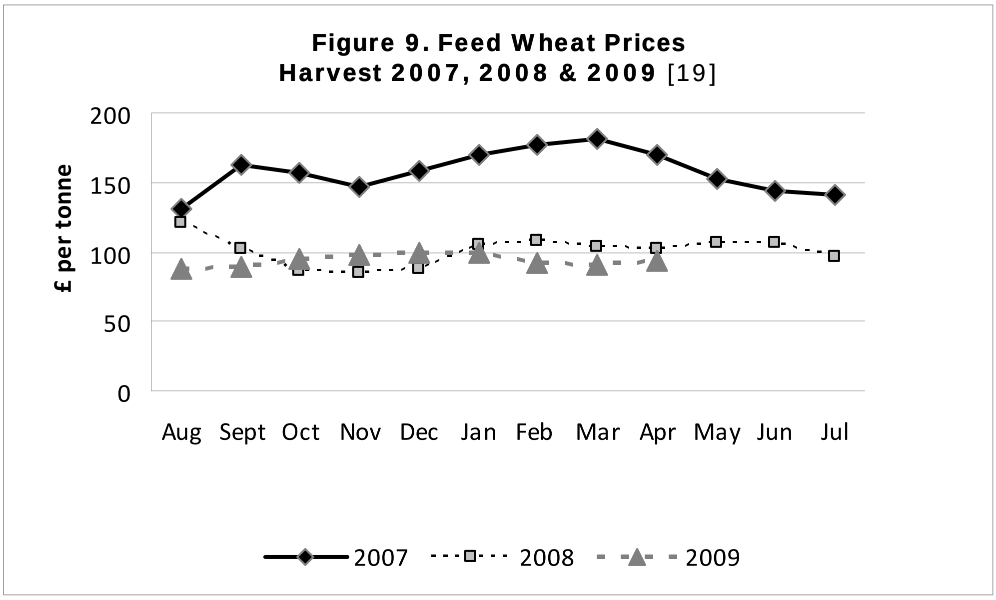
Field scale vegetable growers have had a mixed year in 2009. Good establishment conditions, but cold nights for salad growers meant smaller heads though the crop was ready to harvest earlier. Large volumes of Spanish lettuce depressed prices on the wholesale market.

Economic Issues during the 2009 Harvest Year

The wider economy of the UK was in recession during 2009. GDP growth was negative and the government took the unprecedented step of authorising the Bank of England to employ a quantitative easing strategy to free up the flow of capital in the economy, interest rate cuts having failed to achieve this. By November 2009 £200 billion of asset purchases were financed by the issue of capital reserves in this way. These were a mix of private and public acquisitions as required by the Chancellor of the Exchequer. The bank of England base rate was cut to 0.5 per cent in March 2009 and remained at that level throughout the period covered by this report [18].

In spite of the government's efforts to free up the movement of funds in the economy, the banks were still reluctant to lend to small businesses and this affected the farming community where overdraft limits needed to be reviewed or new loans were being sought. However, in general, farming has been less affected by the economic downturn than other areas of the economy, with the exception of those farm businesses that rely heavily on the value added aspect of food marketing and rural leisure activities. The pound has been weak against other major currencies and this has helped to make UK exports more attractive and increase the value of the Single Payment. However, those businesses dependent on imported inputs have felt the increase in costs resulting from a weak pound.

Grain prices at harvest 2009 were disappointingly low with the farm gate price for wheat dropping as low as £84 per tonne in August. The price briefly edged over the £100 per tonne mark in January and then not again until May 2010. An above average crop of high quality cereals Europe-wide led to ongoing depressed prices. The average monthly price of feed wheat for the harvest years of 2007, 2008 and 2009 can be seen in figure 9. Bread-making wheat fell from £145 per tonne to £103 per tonne during August 2009 and averaged around £112 per tonne over the remaining months of the 2009/10 trading season. Feed barley hit the bottom of the market in mid-September when it averaged £73 per tonne; the average price for the season was around £78 per tonne [19].



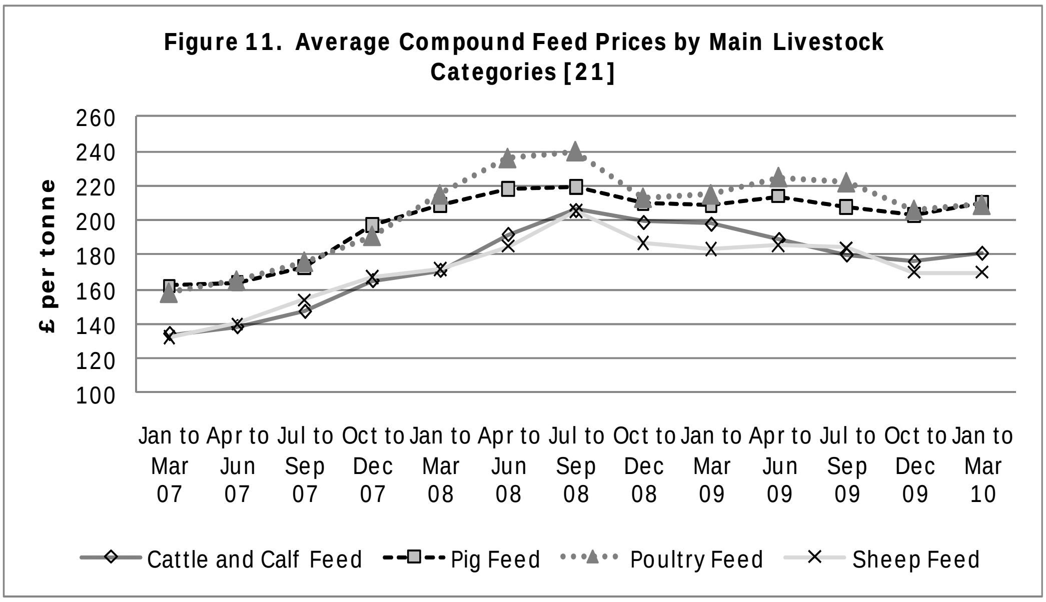
Oilseed rape started the season at around £203 per tonne, climbing to £233 per tonne by the end of November and £252 by late April 2010. Peas and beans sold for £103 and £107 per tonne respectively at harvest, climbing steadily to around £132 per tonne for both by December. They remained at this level through to April 2010.

Figure 10 shows the changes in hay and straw prices that occurred in the South East region during 2009/10 along with 2008 for comparison. The early months of 2010 saw prices increase considerably; forage stocks were very low and the spring turnout of stock was much later than usual. The prices for small bales of hay and straw sold to non-commercial customers in small loads achieved very good prices, upwards of £6 per bale for hay towards the end of the winter.

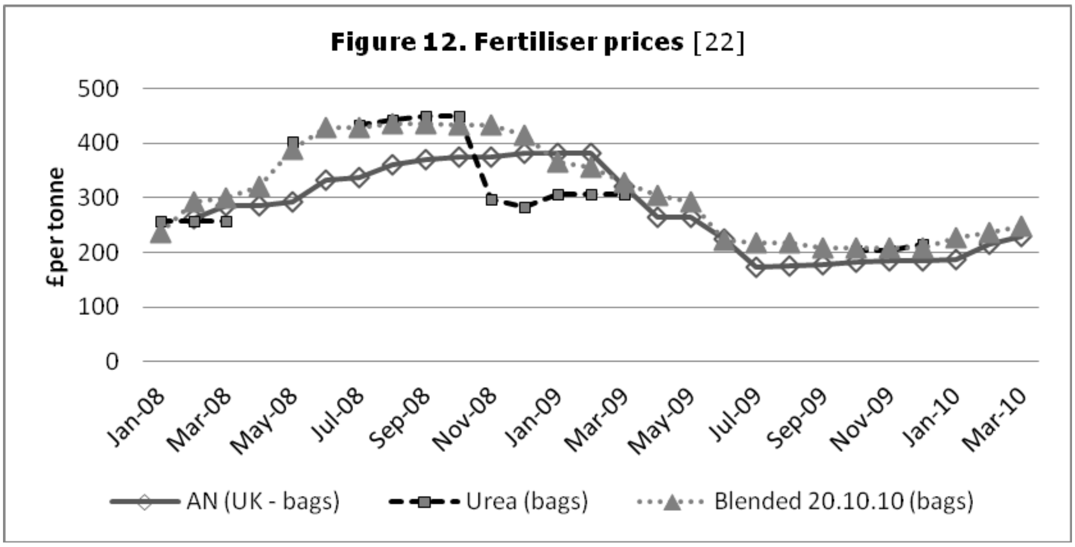
Figure 10. Hay & Straw, South East, Average Price 2008-2010 [20] (Source?)

Month	Big Bale Hay £/T			Big Sq Bale Wheat Straw £/T		
	2008	2009	2010	2008	2009	2010
January	40	45	55	28	32	30
February	40	45	60	29	33	32
March	35	45	60	31	35	36
April	30	45	60	35	35	40
May	30	45		35	35	
June	30	42		35	35	
July	30	38		35	35	
August	30	50		28	28	
September	35	50		31	28	
October	40	50		35	29	
November	40	50		35	30	
December	45	52		32	30	

Following the large increase in compound feed prices during the 2007/08 year and, to a lesser extent, the drop in price following the 2008 harvest, there has been a very gradual reduction in price during 2009/10. However, pig and poultry feed prices both increased during the second quarter of 2009 before coming down again in the fourth quarter. Figure 11 illustrates this for the four main livestock categories.



Fertiliser prices rose dramatically during 2008 with blended compound 20:10:10 reaching £435/T in August/September as compared with £161/T a year earlier. This meant the fertiliser that was purchased around this time for the 2009 crop being planted in the autumn of 2008 was at its peak price. The fertiliser purchased in the autumn of 2008 will largely have been included in the closing valuation of accounts with a year-end between 31st December 2008 and 5th April 2009 and therefore the impact of the high fertiliser prices is felt most strongly in the 2009/10 financial year or 2009 harvest year. Figure 12 illustrates the changes in fertiliser price between January 2008 and April 2010.



Finished livestock prices, whilst fluctuating during the year, built on the gain made in the previous season. Clean cattle averaged 154.6p/kg liveweight during 2009 (compared with 144.6p in 2008) with a low of 147p/kg in July and a high of 167.6p/kg in January. Sheep (Standard Quality Quotation) price averaged 337.7p/kg deadweight during 2009 (compared with 276.7p in 2008) with a low of 281.4p/kg in October and a high of 405.7p/kg in June. This was an increase of 22.2 per cent over the same week in 2008.

Pig prices (all pigs) averaged 145.8p/kg deadweight in 2009 (compared with 126.2p in 2008) with a low of 130.5p in January and a high of 155.6p in July (an increase of 14 per cent on the previous year) [20].

Replacement dairy cattle increased further in price during 2009 with the average price paid during the year of £1,533 per head for freshly calved heifers (£1,306 in 2008) and £1,325 for freshly calved cows (£1,243 in 2008) [23].

Milk prices during 2009 averaged less than 2008 but still considerably more than 2007. The average price for January to December 2009 was 23.78 pence per litre including bonuses; this compares with 25.98 pence in 2008 and 20.90 pence in 2007 [24]. Many argue that the milk price is still far too low in the context of the costs of production and the exodus from the industry continues. A further 28 producers ceased milk production in the South East region during 2009 [25]. A big shock wave went through the industry in the summer of 2009 as Dairy Farmers of Britain (DFoB), a farmer owned co-operative, was put into receivership leaving 1,800 producers in the UK with the loss of their May milk cheque and reduced payments for milk supplied in June and July. Capital invested by the members of DFoB was also lost.

English milk producers were awarded a £16 million share of the EU dairy fund. This is a fund set up to compensate producers for the changes in demand and prices experienced in 2008/09. Dairy farmers have been hit hard by the difficult economic climate worldwide which led to a drop in global demand and dairy prices. It is being paid to all producers at a rate of 0.2 pence per litre on production between October 2008 and September 2009.

The horticultural industry was not immune to the affects of the economic downturn, although the impact was not as great in some areas as might have been expected. The favourable weather earlier in the summer meant that there was plenty of activity in the garden centres and the renewed interest in growing your own vegetables also helped to boost sales. Suppliers to the landscaping of new housing developments suffered as house building was hit by the recession and suppliers to local councils also found their orders being cancelled as they had to prioritise their expenditure on essentials. Top fruit growers continued to despair at the prices received for their produce from the supermarkets, and the very high cost of marketing their fruit after it has left the farm.

Policy and Regulation issues during 2009 Harvest Year

Following the removal of compulsory set-aside, the government came under pressure from the environmental lobby to show that the environmental benefits associated with former set-aside were recaptured in a tangible way. Defra, in consultation with the National Farmers Union (NFU) and Country Land and Business Association (CLA) favoured a voluntary approach managed and led by farmers. The alternative would be a compulsory measure whereby farmers are forced to manage 4-6 per cent of their cultivated land primarily for environmental purposes. The Campaign for the Farmed Environment (CFE) was launched in November 2009 and had three main emphases. Firstly, renewal of ELS agreements with key in-field options, secondly the adoption of at least one of a list of additional voluntary measures and thirdly the retention of some un-cropped land. The targets that the CFE scheme is aiming for are:

- an increase in the in-field ELS options of 40,000 ha
- 179,000 ha of un-cropped land across England, improving the management of at least one third of this to support habitats for birds, insects and mammals
- an increase above the current national level of voluntary environmental management of at least 30,000 ha

In the South East there are currently about 4,000 live environmental stewardship agreements covering 660,000 ha [26]. This equates to approximately 10 per cent of the scheme coverage across England; the South East represents 13 per cent of agricultural land in England.

Food security is an issue facing governments around the world. The dramatic increase in food prices in 2008 highlighted the exposure that the country has to the volatility of global markets. The UK produces 73 per cent of indigenous-type foods and overall is about 60 per cent self-sufficient in food production [27]; this is a figure which has been steadily declining since the mid nineties. A report from the Environment, Food and Rural Affairs select committee in July 2009 highlighted the falling rate of self sufficiency in the UK and urged ministers to produce a policy to increase food production for a growing population. A number of factors have meant that productivity gains have slowed considerably over the past two decades in English farming.

The EU Council of Ministers formally replaced Directive 91/414/EEC on 24th November 2009 with Regulation (EC) No 1107/2009 concerning the placing of plant protection products on the market. This will change the approval process for pesticides from the current approach based on the assessment of risk to a new "hazard criteria". It is estimated that up to 20 per cent of products currently in use could be banned when assessed by the new standards.

The Rural Payments Agency (RPA) suspended all payments to the UK's approximately 50 producer organisations in October 2009 following flaws with interpreting the rules concerning shared facilities were not being interpreted correctly[28]. France was recently fined by the EU for its failure to comply with the shared facilities rules. The suspensions were lifted gradually as each PO was checked for compliance and deemed to be functioning correctly.

The weak pound had a beneficial effect for English claimants of the Single Payment. The exchange rate that is set each year in September was 15 per cent higher than last year, at 90.93p per Euro. Single payments for 2009 amounting to £1.31 billion were paid out to farmers on 1st December, the opening day of the payment window for the Single Payment Scheme. By 31st March 2010, 93.9 per cent of farmers (94.4 per cent of the total fund) had received their payment. The EU requirement is that 95.238 per cent of the fund should be paid by the end of June 2010. The flat rate element of the payment has now reached 60 per cent with the historic element accounting for 40 per cent [29].

FBS Results by Farm Type 2009/10 (2009 Harvest)

Note: The following commentary refers to tables available at:
www.farmbusinesssurvey.co.uk/regional/

All Farms

Average Farm Business Income (FBI) fell for the second consecutive year from £46,750 in 2008 to £41,588 in 2009 for the 236 farms in the South East sample, a drop of 11 per cent. Cereals, dairy and general cropping farms all, on average, recorded a decrease in FBI, whilst grazing livestock, mixed farms and horticulture all recorded an improvement in FBI. Grazing livestock farms showed the greatest improvement in FBI, increasing by £11,758, or 63 per cent, but they remain the group with the lowest FBI at £30,309. The cereals group showed the largest decrease in FBI with a drop of £28,246, or 38 per cent. Table 4 illustrates the changes in FBI between 2003 and 2010.

When the Net Farm Income (NFI) measure is used the sample of all the farms showed a drop in income of 22 per cent. Within that figure the cereals farms had a decrease in NFI of £31,472, or 53 per cent whilst the grazing livestock farms recorded an increase in NFI of £8,416, or 75 per cent. The time series data for NFI by farm type may be viewed in Table 5.

The Management and Investment Income (MII) on average across all farm types fell by 38 per cent to £16,069 compared with £25,824 in 2008. MII for cereal farms dropped to £14,283 which is the same level as 2006, before the unexpected and dramatic rise in grain prices that occurred in 2007. MII for grazing livestock farms increased to £4,018, the first positive MII for at least 6 years. Table 7 – Time Series MII illustrates the changes in MII between 2003 and 2009.

Table 9 – Business Output, Input Costs and Income – shows how the farm business can be viewed by different cost centres. The cost centres used are agriculture, agri-environment,

diversification and single payment scheme. The average FBI across all farms in the South East sample of £41,588 breaks down between these cost centres as follows:

	2009/10	**2008/09**
Farm Business Income (FBI)	£41,588	£46,750
Of which, by cost apportionment:		
FBI Agriculture	-£8,270	£7,590
FBI Agri-Environment	£6,145	£5,420
FBI Diversification	£15,066	£10,544
FBI Single Payment Scheme	£28,647	£23,196

When disaggregated in this way it can be seen that the agricultural activity actually accounted for a loss of £8,270 in the 2009/10 results.

Cereal Farms

The harvest of 2009 proved to be another good crop around the world and consequently grain prices were low. Table 3 shows how the cropping and stocking changed on a sample of 61 farms in the South East region. There was a decrease of just less than 8 per cent in the area of all combinable crops grown in the South East compared with 2008. The total annual labour units recorded on cereal farms in the sample fell by 7.9 per cent to an average of 2.25 annual labour units. All the different classes of farm labour input decreased but the regular paid labour decreased more than the others, by 16 per cent.

Table 4 shows the time series FBI for South East cereal farms and reflects how the two years of 2006 and 2007 saw FBI more than double each year but for 2008 there is a step backwards with a 14 per cent drop in FBI. For the harvest year of 2009, FBI falls another 38 per cent but remains higher than the 2006 figure. Table 9 – Business Output, Input Costs and Income by cost centre shows agricultural activity made a loss £29,508 in FBI terms on cereal farms. A substantial amount, £42,813, is generated by the Single Payment and diversification is very significant contributing £25,795 to FBI. Table 11 gives balance sheet details for the cereals farms surveyed and it can be seen that they had an average closing net worth of £2,025,373. Net worth increased on average by 4 per cent during the year for this group; not least because of the strong market for land and upward movement in land values reflected in the account. Net expenditure on machinery and equipment in the year was £22,396 and a further £14,979 was invested in landlord capital type improvements. Table 12 illustrates the flow of funds for the sample of cereal farms.

Table 15 - Outputs, Inputs, Income on South East Cereal Farms – gives a useful comparison of the income and expenditure between 2008 and 2009. Total crop output decreased by 22 per cent compared with 2008 to an average of £129,413 per farm. When added to the other income streams on the farm total output dropped by 11 per cent to an average of £269,710. Variable costs increased considerably in 2009 with fertiliser expenditure going up by 47 per cent or £10,460. Crop protection expenditure fell by 5 per cent, or £1,266, whilst total variable costs increased by 18 per cent to £81,397. The expenditure on fixed costs overall decreased by 8 per cent and the expenditure on fuel fell by 39 per cent to £9,706 within that figure. Labour costs decreased by 8 per cent but more was spent on contractors, with the average expenditure increasing to £14,066 in 2009 from £11,403 in 2008.

Dairy Farms

Cropping and stocking on the dairy farms in the South East can be seen in Table 3. There were four fewer farms in the sample so some of the changes reflected in this table do not show trends but rather a different representation of farms. The sample of 22 farms averaged 159.1 ha in farmed area and carries an average of 151.5 dairy cows and heifers in milk. An average of 33 per cent of the land is cropped with the remainder in temporary and permanent grass. Total annual labour units per farm increased from 4.14 to 4.44 and the reliance on regular paid labour increased from an average of 1.84 to 2.30 annual labour units per farm.

Tables 4, 5, 6, 7 and 8 show the time series for the different income measures from 2003 to 2009. Over this time dairy farms have seen an increase in FBI from £28,887 in 2003 to £69,089 in 2008 and back to £51,961 in 2009. Although milk prices have improved somewhat in the last few years, there is turmoil in the industry involving processors and relationships with the major supermarkets giving rise to an underlying insecurity. The collapse of DFoB in the year severely impacted those farmers in a supply contract to them at the time.

Table 9 – Business Output, Input Costs and Income – show that dairy farms generated a positive FBI from agricultural activity, unlike the cereal farms, with 18 per cent being attributed to this cost centre. They also have a low reliance on Agri-environment receipts with only £2,964, or a 6 per cent contribution. Over half (54 per cent) of FBI was attributable to the single payment scheme. Table 10 – Detailed Output and Input Costs – shows how the account for 2009 is made up for each broad category of income and expenditure by the different cost centres. Of the £27,980 output from diversified activity on dairy farms, £17,156 is generated from food processing and retailing whilst £9,704 comes from rental income. Table 11 gives details of the balance sheet for these farms at the beginning and end of 2009. The net worth increased by 6 per cent, or £70,007 during 2009; in part due to increasing land values but also as a result of a further significant increase in the value of dairy cows. During this period external liabilities increased by 2 per cent to an average of £333,203 per farm.

Table 12 – the Flow of Funds statement – shows that less was invested in capital projects during 2009 than 2008, £55,110 compared with £126,228. An average of £29,046 was spent on new machinery and equipment, whilst an average of just £2,797 was spent on purchases of property with a further £23,267 invested in landlord capital type improvements.

Table 15 – Outputs, Inputs, Income on South East dairy farms shows details of the accounts for 2008 and 2009. Milk revenues decreased by 8 per cent and output from rearing and fattening rose by 20 per cent, however, the cost of replacements rose by 35 per cent from £16,806 up to £22,711. Miscellaneous income rose moderately during the year and overall total farm output fell by 6 per cent to £426,002. Variable costs decreased by 2 per cent in the year with purchased feed and fodder costs coming down by 6 per cent from £95,425 to £89,905. Fixed costs rose by less than 1 per cent overall; however, labour costs increased by 20 per cent.

General Cropping Farms

There were 18 holdings that were classified as general cropping farms in 2009; these are not all the same 18 as were surveyed in 2008. Some farms left the survey and replacement farms were added. Some of the changes year-on-year are a result therefore of the different nature of the new farms compared to those that left the survey. The average size of farm in this group was 179.6 ha of which 136.6 ha was cropped and 43 ha down to grassland. The area of cropping included 55.7 ha of wheat, 16.5 per cent higher than 2008, and just 4.6 ha of potatoes – a decrease of 5 per cent on 2008. Cattle numbers decreased while sheep numbers increased. There were no pigs in this group although there were a small number of poultry. There was a substantial change in the labour use per farm which in part was due to changes in the make-up of the sample. There were 9.2 labour units per farm in 2009 compared with 5.9 in 2008. Most of the difference was in regular paid labour and casual labour. Details of all the cropping and stocking may be found in Table 3.

Tables 4 to 8 show the results per farm by the different income measures. Farm Business Income fell by 8 per cent compared with 2008 to £39,529. When viewed in NFI terms the income was all but the same as 2008 at £30,519 per farm.

Table 9 – Business Output, Inputs and Income - shows the proportion of income generated by agricultural activity was actually a loss of £8,642. There was a positive contribution of £31,166 from the Single Payment and £13,149 from diversification. Table 10 gives a detailed breakdown of the outputs and costs by cost centre. Diversified income is important to the overall profitability of this group of farms with an average of £20,813 per

farm, £15,647 of which is rental income. Agri-environmental scheme payments are less significant contributing an income of £4,247.

As with all the other farm types, the value of the land and buildings increased over the year and closed up by 3.5 per cent to an average of £1,557,435 per farm. Liabilities increased during the year leaving the increase in net worth at just below 5 per cent. Full details of the balance sheet may be found in Table 11. Table 12 shows how the sources of funds were disposed of during the year and it can be seen that a significant amount was invested in new machinery. Expenditure on new machinery and equipment amounted to an average of £35,785 per farm and there was an investment of £8,886 in landlord capital type improvements.

Table 15 illustrates the farm account in more detail for this group and it can be seen total crop outputs were up by 23 per cent in 2009 to £303,601. Total farm output increased by 30.6 per cent to £455,143 per farm, this is due in part to the addition of some new farms with larger acreages and different crops. Variable costs increased by 16 per cent with fertiliser costs increasing by 38.4 per cent within that total. The fixed costs increased by 42 per cent in total, labour costs showing the greatest increase.

Horticulture

This group is made up of 55 holdings engaged in a wide range of horticultural activity in the South East of England. It includes growers of top fruit, soft fruit, salads, ornamentals, flowers and vegetables. These crops may be grown outside, in polytunnels or under glass. The average size of these holdings is 38 ha of which 60 per cent is owner occupied; 30 ha of the area is actually in production. Within the group, the area of outdoor vegetables decreased by 7 per cent compared with last year, the area of outdoor flowers and nursery stock decreased by 21 per cent and the area of top and soft fruit increased by 18 per cent and 27 per cent respectively. The total annual labour units employed in the year increased by 3.3 per cent - casual labour increased by 47 per cent whilst paid regular labour decreased by 17 per cent. Table 3 provides the full details of the cropping and stocking.

The time series for Farm Business Income, Net Farm Income, Cash Income, Management and Investment Income and Family Farm Income can be seen in tables 4 to 8. Whilst the changes in income are different depending upon the income measure used, there has been a welcome increase in income for this diverse group of businesses in 2009. Table 9 – Business Output, Input Costs and Income – illustrates how Agri-environment and Single Payment income only contribute modest amounts to the FBI of these horticultural businesses. However, diversified income is significant at £9,367 per farm. As with the other farm types, the net worth of the business did increase during the year but to a far lesser extent on account of the smaller area of land involved on which there could be capital appreciation. Net worth increased by 5 per cent to an average of £669,662.

An average of £15,699 was spent on new machinery and equipment, £3,574 on property purchases and £11,828 spent on landlord capital type improvements. Table 12 gives full details of the sources and disposals of funds.

The details of Outputs, Inputs and Income can be viewed in Table 15. In summary, total output decreased by 6 per cent, variable costs decreased by 21 per cent and fixed costs increased by 4 per cent leaving NFI up by 14 per cent.

Lowland Grazing Livestock Farms

Lowland grazing livestock farms are a common feature in the South East. The sample in 2009 consisted of 40 holdings with an average size of 121.2 ha. The farms are almost entirely grassland with an average of just 2.3 ha of tillage. Compared with 2008, beef cow numbers increased by 7 per cent and other cattle numbers increased by 7 per cent as well. Numbers of ewes fell by 16 per cent and numbers of other sheep fell by 12 per cent. Total annual labour units increased to an average of 1.51 per farm, 0.9 of which is farmer and spouse labour. Further details of cropping and stocking may be found in Table 3.

Tables 4 to 8 all show a marked improvement in farm income, whichever measure you use. FBI increased by 63 per cent from £18,551 to £30,309. MII of £4,018 is the first positive return in this series running from 2003. Table 9 – Business Output, Input and Income - shows how the FBI is divided between the four different cost centres. In spite of the improvement in market prices, the proportion of FBI coming from agricultural activity is still negative. Agriculture contributed -£3,517, agri-environment £6,769, diversification £7,729 and Single Payment £19,329 to make a total FBI of £30,309. Table 11 shows the balance sheet details – as is the case with the other farm types, there has been an increase in net worth over the year. Land and buildings increased in value by 6 per cent and the overall increase in net worth was 6 per cent as well.

Table 12 shows the flow of funds for the year – a net inflow of £2,778. £10,564 was spent on new machinery and equipment and £11,777 was invested in property with £5,313 in landlord capital type improvements.

Table 15 – Outputs, Inputs, Income – income from rearing and fattening cattle increased by 22 per cent whilst income from sheep and wool increasing by only 1 per cent. In total, farm output increased by 13 per cent to £101,302 per farm. Variable costs remained the same in total but there was an increase in expenditure on purchased feed of 8.5 per cent. Fixed costs rose in total by 6.4 per cent. Within this total the labour costs rose by 18.7 per cent but fuel costs fell by 17.1 per cent. The net result is that NFI increased from £11,173 in 2008 to £19,589 in 2009.

Mixed Cropping and Stocking Farms

The sample of mixed farms increased in 2009 from 29 to a total of 33. The average farm size in this group is 232 ha, this compares with 199 ha in 2008. Cropping in 2009 remained broadly similar to 2008 except there were more peas and beans grown and more land in fallow or arable fodder crops. The area of wheat was 6 per cent up. Table 3 shows the full details of the cropping and stocking in 2009.

Tables 4 to 8 show the income for this mixed group of farms in 2009/10 by the different income measures. Average FBI was £45,073 in 2009, compared with £42,949 in 2008. When FBI is viewed by cost centre in Table 9, it can be seen that the Single Payment receipt is a very significant part of total FBI at £41,225 per farm with agricultural activity actually incurring a loss of -£16,369. Agri-environment schemes contributed £9,700 and diversified activity £10,516 to FBI. Table 10 shows the outputs and costs of these four main costs centres. It is interesting to note that food processing and retail now generates an average of £9,307 of output reflecting the number of farmers that are now adding value to their produce and selling direct to the public.

Table 11 shows the opening and closing balance sheet for this group of farms. The average net worth of these mixed farms at the end of 2009 was £1,522,197. The flow of funds statement, Table 12, shows investment in new machinery and equipment of £22,143 alongside investment in landlord capital type improvements of £10,164 and purchases of property of £16,972. There was a net inflow of funds of £2,210.

Table 15 – Outputs, Inputs and Income – shows income from crops, by-products, forage and cultivations in 2009 at the same level as 2008. Livestock output increased by 38 per cent thanks to the improvement in prices. It should be borne in mind that the sample is not identical and there has been an increase of 62 per cent in the number of dairy cows in the group therefore explaining in part the increase of 73 per cent in dairy output. The variable costs increased by 30 per cent compared with 2008 but again, changes in the structure of the sample will account for some of this; being a mixed group by definition suggests caution is required when looking for a trend in the figures. Fixed costs increased by 24 per cent compared with 2008 although fuel costs decreased by 7 per cent. Net Farm Income fell by 8 per cent in 2009, £35,419 down from £38,275 in 2008.

Pigs

The results are from an increased sample of 61 pig farms across England, encompassing all types of producer including breeders, finishers and all through units. The average pig farm in the sample was stocked with 2,283 pigs (2464 in 2008). The observed change in diversification output is due mainly to a change in the FBS sample.

With a reduced EU pig population, and favourable exchange rates, the market for pig producers improved in 2009/2010. The average Specialist Pig farm FBI improved by 21 per cent to £71,565 per farm. Output from pigs, including finished animals, increased by six per cent to £465,747 per farm due to firmer prices for pig meat. A reduced breeding herd in Europe, was the main driver of improved prices for pig meat at the start of 2009, but weakening sterling also increased prices. From 131 pence per kilogram deadweight in January 2009, prices rose to 140 pence per kilogram in March and nearly 155 pence per kilogram in June [30]. Higher slaughterings and reduced summer demand brought prices back to 150 pence per kilogram [30].

During the year, world prices were disrupted by consumer concern about the H1N1 virus, known as ‘swine flu’ in numerous countries. Russia, China, Indonesia and Serbia all banned imports from Mexico in April 2009, despite advice that the disease is not transmitted from eating meat [31].

In response to improved prices, the year saw a seven per cent increase in the English pig breeding herd to 371,030 animals. Despite the increasing domestic breeding population, the harsh weather conditions experienced in January 2010 gave rise to an increase in weaner prices to £52 per head in February [32].

Taking account of the reduction in farm size, costs were little changed on the previous year. In response to high carry over stocks and plentiful supply of grain from harvest 2009, feed costs declined as the year progressed.

The capital position of Specialist Pig farms was stable in the year with an increase in stock values contributing to the £9,061 valuation change and expenditure on machinery running a little below the depreciation charge. The closing net worth averaged £508,249 per farm and reflected a 17 per cent increase in the valuation of land and buildings.

By the end of 2009, pig processing was effectively controlled by four large businesses in the UK; Morrison’s, Cranswick-Bowes, Vion and Tulip. There are of course independent abattoirs but these handle relatively low volumes of pigs. A favourable development during the year was increased loyalty to domestic pig production as the Cooperative, Morrison’s, Waitrose and Marks and Spencer all committed to stocking 100 per cent British pork by the end of 2009 [32].

Poultry

The sample of 67 egg and broiler producers was similar to the previous year but included farms with fewer birds. Their average FBI amounted to £66,326 per farm, and some 39 per cent higher than in 2008/2009. Nationally, the change in the poultry population was relatively small. The layer population reduced by two per cent in the year to January 2010 to near 29 million birds, the broiler and broiler breeder population increased by one per cent to 114 million and the turkey population remained static at a little over nine million.

Partly reflecting the lower bird numbers per FBS farm, poultry output averaged £573,884 per farm (£653,298 in 2008/2009). Whilst individual farms in the sample were either egg or table bird producers, about 36 per cent of the measured output related to egg production and 64 per cent to meat production.

Some 24.6 million cases of eggs were packed in the UK in 2009, 0.3 per cent fewer than in 2008. These sold at an average of 72.6 pence per dozen in 2009, nearly three per cent higher price than in 2008 [33].

Lower expenditure on costs of all types is largely explained by the lower number of birds within the survey. Feed costs comprised 54 per cent of the value of output in 2009/2010 and were similar to the previous year. Broiler and egg producers incurred additional expenditure on heating and feed in the very cold conditions of January 2010 [34]. Those operating high welfare units, with corresponding reduced stocking rates, faced even higher costs of about 10 pence per bird. The further consequence of the low temperatures was the cost and inconvenience of dealing with frozen water supplies.

Concern was felt within the industry in March 2009, when H6N1 ‘bird flu’ was found at two poultry premises in East Anglia but found to be of low pathogenicity [35]. Poultry keepers were advised to be vigilant, but the low risk from this strain of disease determined that major biosecurity measures were not needed.

Ahead of the 2012 cage ban, free range production increased from 16.4 per cent to 37.9 per cent of production between 1999 and 2008 and 2.4 million layer places were converted to enriched cages in the same period [36]. The British Egg Industry Council expressed the view that the UK was well placed to meet the obligations of the cage ban, but some 30 per cent of the EU flock would be likely to remain in cages.

Oversupply was the emerging problem in free range egg production as the industry responded to the EU cage ban in 2012 and increasing willingness of consumers to pay for premium egg production methods before the ‘credit crunch’. Year-on-year growth in free range production has been in the region of nine per cent per year for a number of years[37]. Free range production was 14 per cent higher in 2009 than in 2008 [38]. Among the more specialised organic section of the free range market, sales reduced by 34 per cent in 2009 compared to 2008, in response to reduced consumer spending.

Across England, egg packers, including Stonegate, Noble Foods, Fridays and John Bowler closed their doors to new free range egg suppliers and reduced the price of eggs payable to farmers [39].

Anecdotal reports of retail traditional turkey sales were of increased volumes. Sellers in Essex and Leicestershire reported higher numbers of sales of premium bronze turkeys at the expense of white turkeys [40].

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