

London and the South East Region Commentary 2010/2011

This report includes data collected from the Farm Business Survey for the 2010 to 2011 financial year, relating to the 2010 crop harvest.

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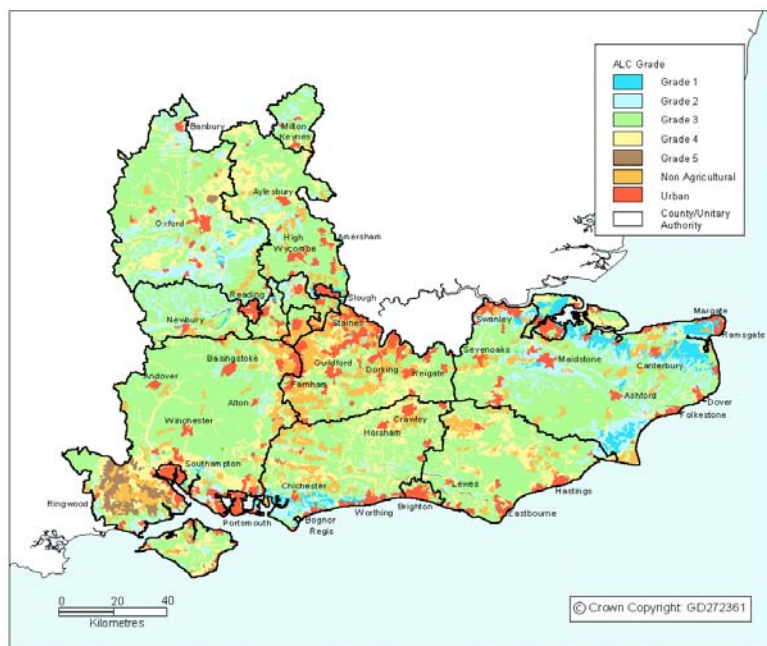
The Nature of Farming in London and the South East Region

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 Region of England
(Source: Defra)



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

The London and South East Region represents 15.8 per cent (20,641 km²) [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 11,409km² or 56 per cent of the land area [2].

The total workforce in the South East was approximately 7.9 million in 2010, up from 7.8 million in 2009 [4]. In 2010 38,000 people were employed in agriculture in the South East, 0.42% of the total employed. Nationally, agriculture accounts for 1.2 per cent of the workforce [5].

Whilst the contribution made by farming to the economy and employment is negligible, agriculture in the South East also provides non-economic benefits such as tourism, and protection and restoration of the natural environment, as well as providing local food to the London population.

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

In 2010 Total Income From Farming (TIFF) in the South East was £424M; this represents 13 per cent of TIFF for England as a whole [1]. Agriculture in the South East occupies 13 per cent [2] of the total agricultural land in England. The predominant farm type in the region is lowland grazing cattle and sheep; 43 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 Region [2]

Farm Type	No. of Holdings
Cereals	2,329
General Cropping	2,422
Horticulture	981
Specialist Pigs	137
Specialist Poultry	209
Dairy	405
Lowland Grazing Livestock	5,792
Mixed	1,111
Other	203
Total	13,589

Figure 3 shows the cropping and stocking found in the South East in 2010. Cereal cropping is prevalent in the region occupying 62 per cent of the cropped land area. Horticulture is important, particularly in Kent, West Sussex and Hampshire; the South East Region accounts for 15.7 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 (32 per cent of the English population live in London and the South East Region [2]). The national decline in pig and poultry numbers is particularly seen in the South East with the pig herd contracting to just 5.7 per cent of the national herd. The South East poultry flock decreased to 7.5 per cent of the national flock.

Figure 3. Agriculture in London and the South East Region 2010 [2]

Land Use	Hectares	% of England
Crops	498,741	13
Bare Fallow	26,796	18
Grass under 5 years old	72,328	12
Grass over 5 years old	395,359	12
Sole right rough grazing	21,383	4
All other land	48,816	16
Woodland	77,455	26
Total area on agricultural holdings	1,140,878	13

Crops	Hectares	% of England
Cereal crops	328,031	13.1
Other arable crops	147,670	13.5
Potatoes	3,709	3.7
Horticulture	22,710	15.7

Livestock	Numbers	% of England
Cattle and calves	443,232	8.0
Sheep and lambs	1,177,386	8.3
Pigs	204,756	5.7
Fowl	8,564,514	7.5

Labour	Numbers	% of England
Workforce in agriculture	46,178	15.8
Regional workforce	7,859,417	32.2

The total area of crops grown in 2010 decreased by 1.3% compared with 2009. Within this reduced area, the cereal area was down by 1.6% and potatoes down 5.1% whilst other arable crops were up by 2.7%. Horticultural crops increased by 4% to represent 15.7% of the total horticultural area in England. Bare fallow was down by 31.3%.

Cattle numbers changed little between the 2009 and 2010 harvest years, with all other livestock groups decreasing in line with national trends. Sheep and lamb numbers declined 5 per cent, reducing the South East proportion of the national flock to 8.3 per cent. The numbers of fowl decreased by 6 per cent, reducing the proportion of birds in the South East to 7.5 per cent of England; in 2009 it was 8.8 per cent. The regional workforce employed in agriculture remained at 16 per cent of the total employed across England in agriculture.

Figure 4 shows the distribution by size in hectares of the same population of farms shown in figure 2. The number of commercial farms <5 ha has reduced from 1,869 in 2009 to 1,112 (-41%); this may indicate a significant proportion of those in the sample have either fallen below the commercial holding threshold as stated by DEFRA [2] between 2009 and 2010 or indeed, a number of these may have ceased trading altogether.

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

Farm Size Band	No. of Commercial Holdings	% of England
<5ha	1,112	12
5 <20ha	4,391	15
20 < 50ha	2,974	13
50 <100ha	1,910	10
>100ha	3,202	12
Total	13,589	13

2010/11 FBS Year (Harvest 2010)

Weather

Autumn 2009 was warm and dry which led to good conditions at the time of drilling. In comparison with the regional averages, mean temperatures were around 1°C higher than average in September and October and 2.3°C higher in December. Rainfall in the early part of the autumn was very low with September and October receiving just 40% and 78% of the average rainfall. November however was a wet month and the region saw a staggering 239% of the average rainfall. Sunshine hour anomalies varied throughout the season with September being the sunniest month, receiving 114% of the average while October and November saw 92% and 93% respectively.

The winter proved to be colder than average. The temperatures in December and January 2010 were well below the seasonal averages and the cold spell was noted as being the most widespread and prolonged spell of cold weather since 1982. December and January were 1.7°C and 2.9°C colder than average while February was 0.8°C colder than average. Rain or snowfall figures were also high throughout the winter and the high snowfalls seen in December led to the region seeing 131% of the average monthly rainfall. January and February saw 90% and 184% respectively. The winter overall was sunny in line with the prevailing high pressure. December and January saw 114% and 146% of average sunshine while February saw just 80% of the average sunshine.

Spring 2010 was dry and sunny with overall average temperatures. Mean temperatures throughout the spring did not stray far from the regional averages with March to May seeing anomalies of -0.1°C, 1°C and -0.6°C. Sunshine hours recorded, however, were high with March and April seeing 114% and 146% of the normal sunshine hours and May seeing close to average. In line with these sunny conditions, rainfall was low. Rainfall in March was close to average (99%) while April and May saw 43% and 58% respectively.

Summer 2010 followed a similar pattern to that seen in the spring before turning wet and cooler in August. Mean temperatures in June and July were 1.3°C and 1.4°C higher than average while August was 0.6°C lower than average. The early summer saw the drought conditions of the spring continue with just 58% of the average rainfall being recorded in June and July. The drought broke however in August and the month saw 180% of the average rainfall. Sunshine hours in the region followed the trend above with 135%, 97% and 66% of the usual sunshine hours recorded during the period June to August.

Figure 5. Temperature (°C) Anomalies - 2010 Growing Season [6]

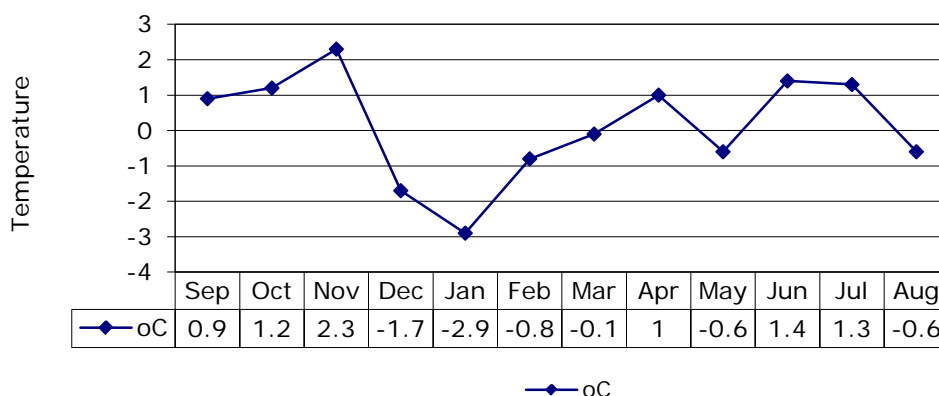
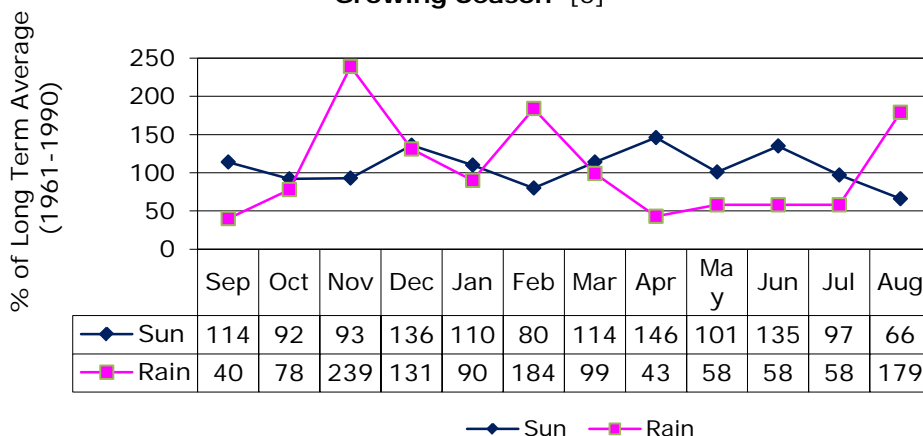


Figure 6. Sunshine and Rainfall Anomalies - 2010 Growing Season [6]



Husbandry Issues during the 2010 Harvest Year

Bovine tuberculosis (TB) remains the biggest disease threat to livestock farmers engaged in the dairy and beef industry. However, in 2010 the number of confirmed incidents in pigs rose to 29, whilst confirmed cases in sheep totalled 13 [7]. In 2010 the number of reactors identified and slaughtered in England fell to 24,213 cattle, a reduction of 1 per cent [8]. TB reactors within eastern England, which includes the South East Region, totalled 1,518 or 6 per cent of the English total. Sussex is now considered an area of high risk and is subject to annual testing with a recognised established wildlife reservoir for the disease. The British Government continues to afford a high importance to the controlling of bovine TB.

Great Britain was officially declared free of Bluetongue virus in July 2011, a disease affecting all ruminants. This resulted in the lifting of restrictions on exporting sheep and cattle, and means livestock will no longer be required to be vaccinated against bluetongue under EU law [9].

Bleeding calf syndrome, a disease first identified on farms in 2009, has been linked with a BVD vaccine given to their mothers according to a report from the Animal Health Veterinary Laboratories Agency. The report stated that the products removal from the marketplace is likely to reduce the incidence of the disease [10].

The numbers of recorded incidences of foliar disease in the 2010 wheat crop were among the lowest since records began [11]. However, the incidence of Fusarium Ear Blight (FEB) increased, a destructive fungal disease which has become increasingly problematic by reducing yield and producing poisonous mycotoxins. Ear blight symptoms were recorded in 49% of samples, this being higher than the 10-year mean of 37%. It is thought the re-emergence is driven by climatic

changes and agronomic practices such as minimum tillage as well as growing other susceptible grains like maize [12].

Figure 7. Combinable Cropping in London and the South East Region - 2009 and 2010
[2]

Crop	Area		
	2009 (ha)	2010 (ha)	Change
Wheat	223,155	240,970	8%
Winter Barley	26,597	24,940	-6%
Spring Barley	60,191	39,988	-34%
Oats	20,168	19,135	-5%
Field Beans	31,839	31,277	-2%
Peas (dry)	6,223	6,864	10%
Oilseed Rape	80,582	85,017	6%

Figure 7 provides details of the areas of combinable crops grown in the South East. The total area of cereals grown for the 2010 harvest decreased by 1 per cent compared with 2009. The area of spring barley was reduced significantly, by 34 per cent, and was replaced by an increased area of winter wheat. This may be explained by the optimal planting conditions during winter drilling in the autumn of 2009.

The 2010 harvest started well, with below average rainfall allowing effective harvesting of the early crops. However, above average rainfall during the main harvest period caused problems resulting in higher drying costs and poor straw quality. The prolonged dry spell throughout June and July impacted on grain yield, leading to a reduction in average yields compared with the 2009 harvest in both winter wheat and spring crops. Figure 8 illustrates the crop yields achieved in the South East compared with the UK. The average yield of oilseed rape improved by 0.2t/ha compared with the 2009 harvest and was the only significant arable crop grown in the South East that yielded higher than the UK average.

Figure 8. Combinable Crop yields in London and the South East Region and the UK-2010 [13]

Crop	T/ha	
	South East	UK
Wheat	7.9	8.0
Winter Barley	6.8	7.0
Spring Barley	5.3	5.4
Oats	5.4	5.8
OSR	3.6	3.5

Hardy nursery stock plant production was affected by the very cold winter holding back growth. Some growers chose to incur expenditure on additional heating of protected areas thus resulting in higher fuel costs; however, it did enable them to produce a marketable plant on time, or earlier. Many reported excellent sales figures in January on account of this strategy.

Top fruit production in England remained at a similar level to the previous harvest; this coincided with a poorer harvest in Europe (apple production reduced by 11 per cent [14]). Investment in new apple orchards stocked with modern varieties continued in response to the changing consumer preference. Gala production has doubled in ten years and Braeburn, first grown in the

UK in 2001, was expected to produce 11,000 tonnes in 2010 [15]. Soft fruit production had a difficult season, with the late spring and wet, cold late summer curtailing production. However, prices increased due to the reduced supply. The seasonality and short production period of soft fruit crops means businesses are looking to maximise continuity of crop throughout the season by use of modern varieties to enable labour to be utilised effectively [15].

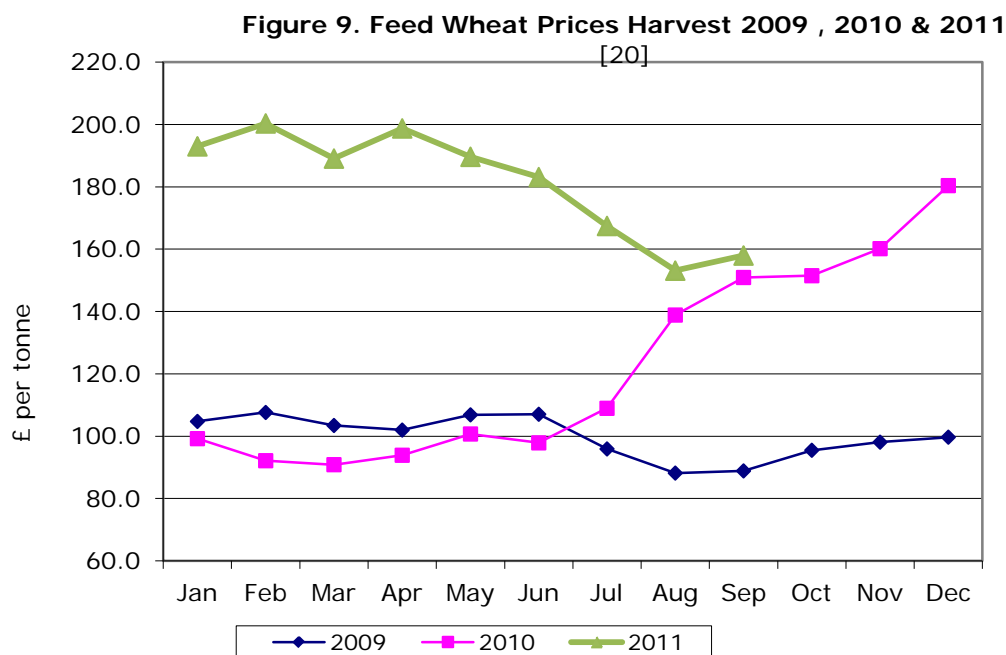
Field scale vegetable growers had a mixed year in 2010. Excellent conditions in July and August were tempered by cold and wet conditions later in the season. Consolidation in this sector of the industry continues as they have to cope with higher costs such as fuel, packaging and labour resulting in smaller margins on the products sold.

Economic Issues during the 2010 Harvest Year

The UK economy moved out of recession in 2010 reaching a peak GDP growth rate of 1.1 per cent in the third quarter, before falling into negative growth of -0.5 per cent in the first quarter of 2011 [16]. During 2010 the consumer price index averaged 3.7 per cent, well above the 2 per cent target set by the Bank of England with the aim of delivering price stability [18]. Food inflation averaged 5.7 per cent, whilst electricity, gas and other fuels increased 1.6 per cent [17].

In spite of the government's efforts to free up the movement of funds in the economy, anecdotally 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. Bank of England figures show that average quarterly outstanding loans to the agriculture sector increased in 2010 to 11.73 billion compared with 11.29 billion in 2009 [19]. However, this increase may include existing customers reducing loan repayments, as well as new lending. The pound remained weak against other major currencies and this has helped to make UK exports more attractive whilst also increasing the value of the Single Payment. By contrast, those businesses dependent on imported inputs have felt the increase in costs resulting from a weak pound.

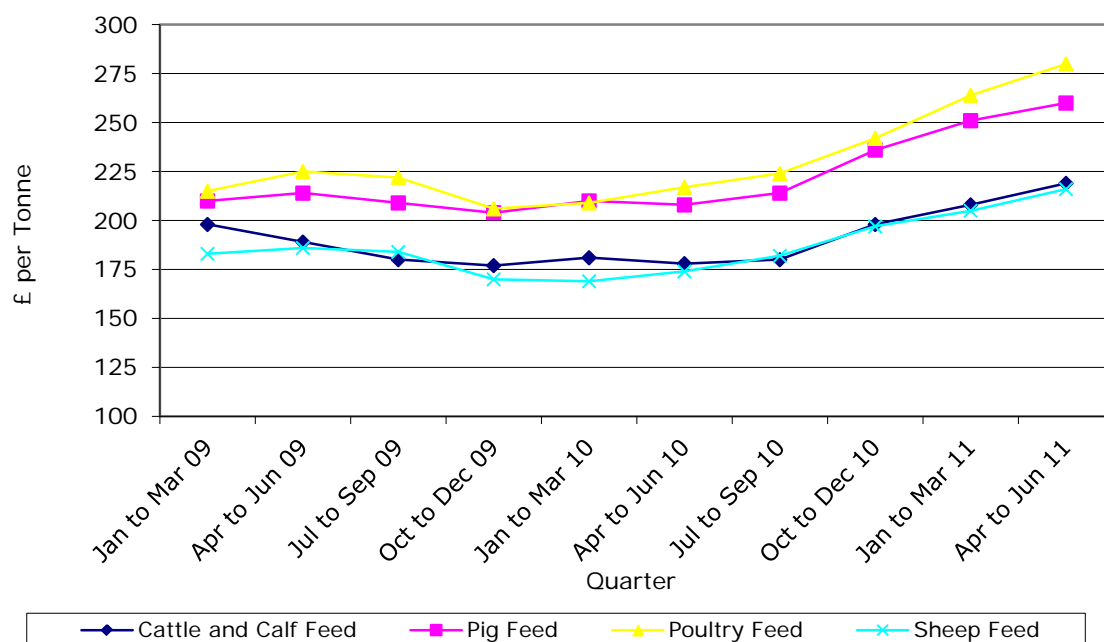
Grain prices started to rise in the late spring on the back of poor growing conditions and reached £100 per tonne in May. The price then followed a steep upward trajectory peaking in April 2011 at £202 per tonne. Initially, this was caused by export bans from Eastern Europe and slightly below average yields from the domestic market as well as stockpiling in some countries. Since the spring prices have fallen sharply reminding farmers of the volatility of the market and the importance of risk management.



Hay prices in the South East started the year at £60 per tonne. The dry spring and early summer led to a poor first and second cut of forage generally and resulted in low stocks for the winter. Consequently, spot market prices for hay more than doubled to a peak of £130 per tonne in March 2011. No such fluctuation occurred with straw, as the price in the open market stayed around £40 per tonne throughout the year; it is important to note the majority of hay and straw is sold direct to the end user. The price received for small hay and straw bales, sold to private customers, remained upwards of £6 per bale (approximately £300 per tonne), although this price should be viewed in the context of the increased costs associated with producing conventional bales and selling in small quantities [21].

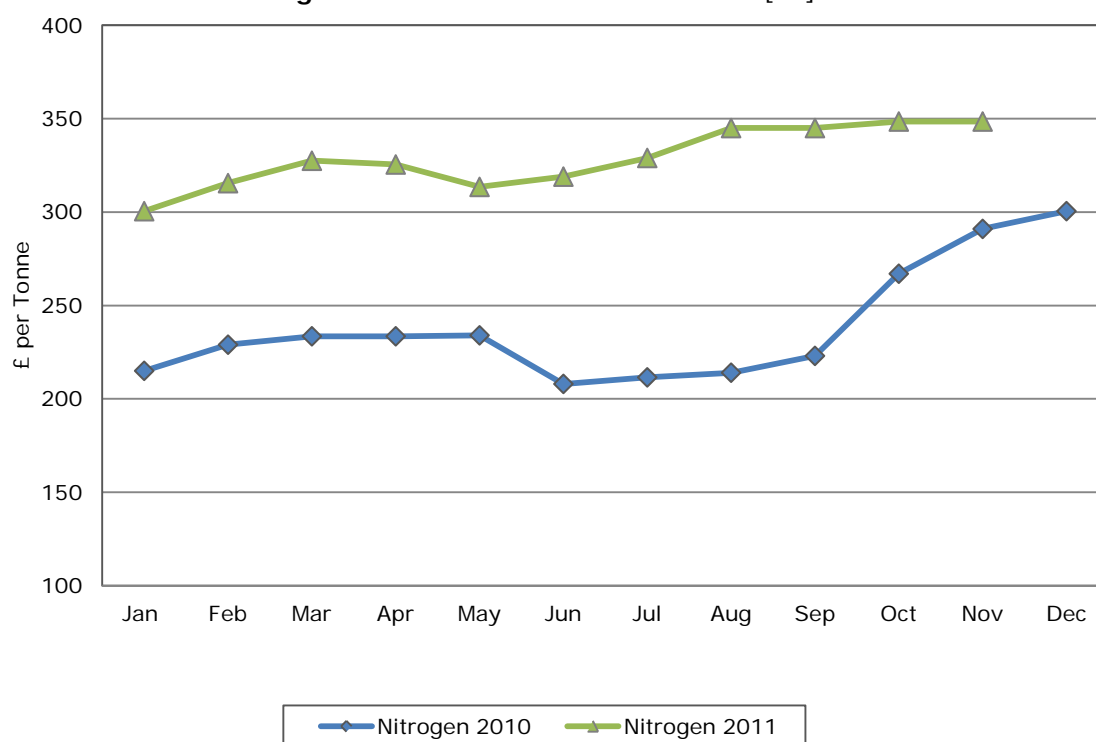
Figure 10 shows the average price of compound feed by category of livestock. In the first half of 2010 prices rose marginally, with the exception of cattle feed which actually came down in this period. During the third quarter the increase in grain and protein crop prices fed into the average compound price once again.

Figure 10. Average Compound Feed Prices by Main Livestock Categories [22]



Fertiliser prices followed a similar pattern to the feed wheat price, remaining relatively constant at around £230 per tonne, until September 2010 which then saw an exceptional increase to a peak of £301 per tonne in December. The price rose further to £328 per tonne during the spring of 2010 when planting of spring crops and top dressing of winter crops was taking place. Figure 11 illustrates the changes in fertiliser price between January 2010 and November 2011.

Figure 11. Fertiliser Prices 2010/11 [22]



Finished cattle prices fluctuated during the year, falling to a low of 138p/kg live weight in May 2010, before rising to a peak of 164p/kg live weight in December 2010. Sheep (Standard Quality Quotation) price averaged 368p/kg deadweight during 2010 (compared with 339p/kg in 2009). Pig prices (all pigs) averaged 142p/kg deadweight in 2010 (compared with 146p/kg in 2009) [21].

Replacement dairy cattle decreased in price. Friesian Holstein freshly calved heifers averaged £1,371 per head in 2010 compared with £1,533 in 2009. Freshly calved cows averaged £1,181 per head in 2010 compared with £1,325 in 2009 [21].

Average milk price increased by less than 1ppl to 24.7ppl in 2010, an increase of 4 per cent [23]. Ten milk producers ceased production in the South East in 2010 bringing the total number of producers down to 263 [24].

Policy and Regulation issues during 2010 Harvest Year

Following the removal of compulsory set-aside the government came under pressure from the environmental lobby, in response to scientific research that showed the negative impacts on biodiversity, for an alternative arrangement. 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 to show that the environmental benefits associated with former set-aside were recaptured in a tangible way. Otherwise, there would be compulsory measures 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 5,634 live environmental agreements [25], covering 745,077 ha of land which is 62.4 per cent of the UAA. A study conducted by DEFRA found that 90 per cent of those farmers interviewed in the South East were aware of the campaign. Recent figures show a 32 per cent increase of CFE target options in ELS since the campaign began [26].

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 74 per cent of indigenous-type foods and overall is 60 per cent self-sufficient in food production, an increase of 4 per cent compared with 2009 [27].

The new coalition government has resulted in a significant change in policy towards controlling Bovine TB with a proposal to utilise badger culling, a means to control the disease in designated hotspots. Extensive consultations revealed a significant division of opinion, with many animal charities, such as the Badger Trust and RSPCA vociferously opposed to any form of cull. Farming organisations remain supportive of a science-led cull, to control a disease viewed as out of control [28].

The impending European ban on battery cage laying systems has led many egg producers to either invest heavily in upgrading their system to free-range or enriched cages, or leave the industry completely.

The government has set ambitious targets to produce 15 per cent of all energy requirements from renewable sources by 2020. As a result renewable energy feed-in tariffs were introduced by the Government in April 2010 to provide a set rate per KWH produced, with decreasing rates as the energy generation capacity increased up to a maximum of 5MW. Investment and uptake was much higher than expected, as farmers and growers saw a guaranteed return on their investment [29].

FBS Results by Farm Type 2010/11 (2010 Harvest)

Note: The classification of farms has been revised this year meaning that these results are not directly comparable with those published in earlier statistical notices. Please see the explanatory document at <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/> for further details of these changes. Commentary in this report therefore draws upon the appropriate table from <http://www.farmbusinesssurvey.co.uk/regional/> for 2010/11 plus Farm Accounts in England for 2009/10 and where applicable: <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/publications/farmaccounts/farmaccounts-2011/>

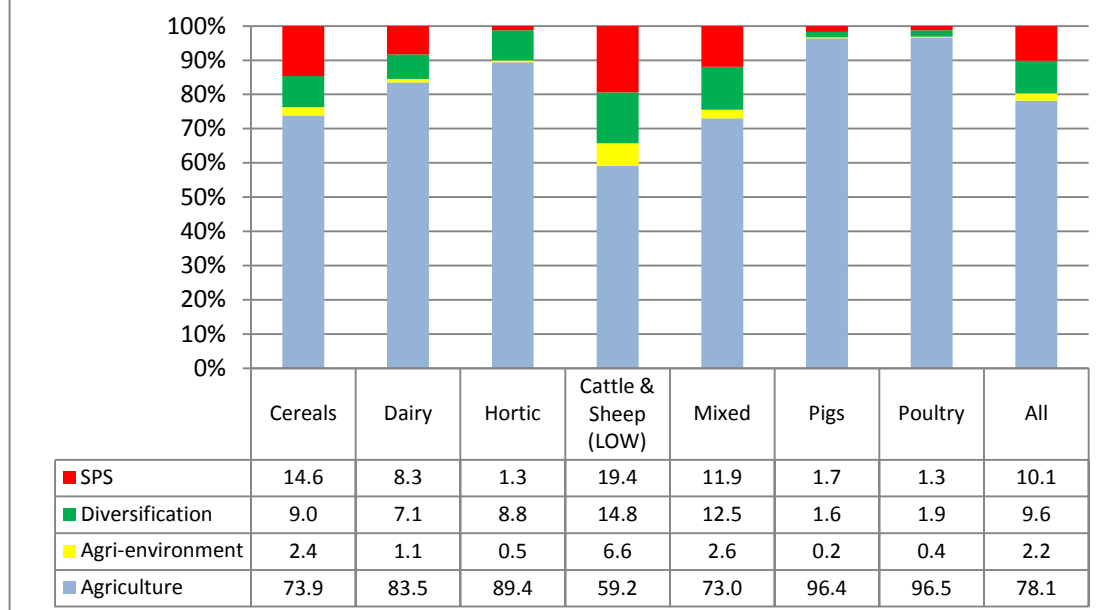
All Farms

Average Farm Business Income (FBI) increased by 43 per cent to £59,722 per farm on the sample of 244 South East farms surveyed in 2010. Cereal farms had the largest increase in FBI at 121 per cent, to £99,913 per farm. This contrasts with 2009 when the cereals group showed the largest decrease in FBI. Mixed farms and horticulture showed increases in FBI of 46 per cent and 2 per cent respectively in 2010 compared with 2009. In contrast, the specialist pig group (national sample) showed a large decrease in FBI of £31,000, or 41 per cent to £44,400 per farm.

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. On average 78 per cent of output on farms in the South East is derived from agriculture.

Figure 12 shows the distribution of farm output by the four cost centres and by farm type. Cattle and Sheep lowland grazing farms obtain the largest proportion of output from non-agricultural sources (41 per cent), whilst the poultry and pig farms generate 96 per cent of output from agriculture, gaining very little from SPS, diversification and agri-environmental activities.

Figure 12. Distribution of Farm Output by Cost Centre and Farm Type



The average FBI across all farms in the South East sample of £59,722 breaks down between these cost centres as follows:

	2010/11	2009/10
Farm Business Income (FBI)	£59,772	£41,758
<i>Of which, by cost apportionment:</i>		
FBI Agriculture	£10,086	-£8,270
FBI Agri-Environment	£5,689	£6,145
FBI Diversification	£14,892	£15,066
FBI Single Payment Scheme	£29,106	£28,817

When disaggregated in this way it can be seen that the agricultural activity actually accounted for 16.8 per cent of FBI across all farms. However, when unpaid farmer and spouse labour is taken into account and apportioned a wage, the average agricultural enterprise makes a loss of -£11,634.

Cereal Farms

The harvest of 2010 was problematic for many regions of the world. Poor harvests in Russia caused by drought resulted in an extension of the Russian wheat export ban. This, alongside slightly lower average yields in many grain producing countries and ongoing increase in demand caused the feed wheat price to rise in the early summer of 2010. Table 3 shows the cropping and stocking on a sample of 58 farms. In 2010, 48 per cent of the total tillage was put down to wheat, oilseed rape occupied 21 per cent and all barley covered 11 percent of the area. Lastly, fallow and arable fodder crops covered 10 per cent.

Total labour units for cereal farms equalled 2.05, 58 percent of the all farm average (3.53) indicating the efficient use of labour on cereal farms. Farmer and spouse labour contributes 44 per cent to this figure, while regular paid labour provides 33 per cent.

Table 9 – Business Output, Input Costs and Income by cost centre shows agricultural activity made a profit of £29,719 in FBI terms on cereal farms (30 per cent of total farm FBI). £44,356 (44 per cent) of FBI is generated from the Single Farm Payment and diversification accounts for 19.2 per cent or £19,143. 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 £2,248,385. Net worth increased on average by 12 per cent during the year for this group; the value of land and buildings increased by

9 per cent, whilst machinery assets value increased by 14 per cent. Table 12 illustrates the flow of funds for the sample of cereal farms.

Dairy Farms

Cropping and stocking on the dairy farms in the South East can be seen in Table 3. The sample of farms increased by 3 to 25 in 2010; this may have been caused by the change in classification of farm types. Some of the changes reflected in this table therefore may not show year on year trends but rather a different representation of farms. In 2010, dairy farms in the sample utilised 247 ha for agriculture, which consisted of 49 per cent cropped land (including arable fodder crops), 21 per cent temporary grazing and 29 per cent permanent grazing. Of the cropped land, only 35 per cent was used for arable fodder crops, indicating a diversified approach to cropping.

Dairy farms in the South East are labour intensive requiring 5.33 labour units compared with the national dairy average of 3.59 per farm. The main reason being South East dairy farms are more than double the size of the average dairy farm in England (247 ha compared with 141 ha), and herd size is 18 per cent greater in the region (171 dairy cows and heifers in milk compared with 145).

Tables 4, 5, 6, 7 and 8 show the time series for the different income measures from 2004 to 2010. Average dairy FBI rose in 2010 to £47,234 an increase of 27 per cent on the previous year.

Table 9 – Business Output, Input Costs and Income – shows that 97 per cent (£46,039) of FBI was derived from Single Farm Payment. Agriculture on average was loss making (-£20,695), whilst diversification enterprises generated 34 per cent of FBI (£15,960), and agri-environment schemes contributed 13 per cent of FBI to the average dairy business in the south east.

Table 10 – Detailed Output and Input Costs – shows how the account for 2010 is made up for each broad category of income and expenditure by the different cost centres. Milk and milk products contributed 69 per cent to agricultural output, whilst 18 per cent of agricultural output is derived from crop output. Of the £43,919 output from diversified activity from dairy farms, £13,919 is generated from food processing and retailing whilst 50 per cent is generated from rental income (£22,190).

The net worth of dairy farms increased in 2010 by 8 per cent to £1,572,781. This was derived from an increase in land and building values of 12 per cent and a net investment in machinery and equipment of £37,354, leading to a 12 per cent increase in valuation. External liabilities increased by 15 per cent to an average of £439,864 per farm.

Table 12 – the Flow of Funds statement – shows £85,104 was invested in capital purchases in 2010, an increase of 54 per cent. The largest investment, of £47,007, was in landlord capital type improvement indicating the greater investment required to comply with nitrate vulnerable zone legislation which comes fully into force on 1st January 2012.

General Cropping Farms

The sample size fell below the minimum threshold for publication of this data.

Horticulture

This group is made up of 58 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 42 ha of which 69 per cent is owner occupied; 33 ha of the area is actually in production. This compares with an average of 41 ha in production on horticultural holdings nationally.

There are significant areas of many different types of horticultural production in the South East. The proportion of land area is greater for outdoor vegetables, top and soft fruit whilst outdoor ornamentals and glasshouse crops are less prevalent than the average for England. Annual labour units average 8.7 per holding for horticulture in the South East; this is 13 per cent higher than the

national average for horticultural holdings and compares with 2.59 per holding for the sample of all farm types.

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. Average FBI on horticultural holdings has continued to increase, albeit at a slower rate between 2009 and 2010 from £40,894 to £41,776, an increase of 2%.

Table 9 – Business Output, Input Costs and Income – shows the limited output derived from Single Farm Payments (1.3 per cent) and agri-environment schemes (0.5 per cent). FBI received from diversification activities amounted to £13,217, 11 per cent less than the all farm average in the South East.

Net worth increased by 8 per cent to £932,828. Land and buildings, which represent 84 per cent or £807,321 of the holdings fixed assets, increased in value by 9 per cent.

An average of £29,014 was spent on new machinery and equipment, £30,511 on property purchases and £9,807 spent on landlord capital type improvements. Table 12 gives full details of the flow of funds.

Lowland Grazing Livestock Farms

Lowland Grazing Livestock farms are a common feature in the South East. The sample in 2010 consisted of 50 holdings with an average size of 117.7 ha; this was marginally larger than the whole England average of 111 ha. On average 11 per cent of the farm was cropped with the rest down to grass, 85 per cent of which is permanent grass.

Ewes, other sheep and beef cows all had higher than average numbers per farm in the South East than the all England figures but by no more than 10 per cent. This suggests South East farms have a broadly similar stocking rate to the average of lowland grazing farms across England. The total annual labour units per farm were also higher, by 9 per cent, at 1.73 compared with 1.59 for all lowland grazing farms in England. On these South East farms 66 per cent of labour is unpaid compared with the national average of 78 per cent.

FBI for farms in the South East averaged £24,176, 13 per cent higher than the England average. Table 9 – Business Output, Input and Income - shows how FBI is divided between the four different cost centres. Eighty-three per cent (£20,023) of FBI is derived from the Single Farm Payment, 30 per cent (£7,198) from diversification enterprises, 25 per cent (£5,954) from agri-environment schemes, and agricultural enterprises actually made a loss on average of -£8,999.

The net worth of this group of farms increased by 9 per cent; predominantly this is the result of increasing valuations on Land and buildings. Land and buildings valuations represent 91 per cent of the average farm's fixed assets. Over the course of the year, bank term loans increased by 44 per cent to £20,811 per farm, contributing to an increase in liabilities of 6 per cent. Nationally, all farms have an average of £45,450 in bank term loans.

Table 12 shows the flow of funds for the year – a net inflow of £4,074. During the year £10,472 was spent on new machinery and equipment and £3,133 was invested in property with £7,198 spent on landlord capital type improvements.

Table 15, which provides Outputs, Inputs and Income figures, shows that rearing and fattening cattle generates 69 per cent of total livestock output (£35,668) whilst sheep and wool generate 29 per cent (£14,770). Total livestock output was 9 per cent lower than the national average for grazing livestock farms. Whereas, miscellaneous output totalling £50,788 was 23 per cent higher than the national average. The greatest contributor to this figure was the Single Farm Payment receipt; however diversified activities totalled £16,955, 81 per cent greater than the national average. Overall, total farm output was 2 per cent higher on these farms in the South East than the average for England.

Mixed Cropping and Stocking Farms

The average farm size of mixed cropping and stocking farms in the South East in 2010 was 210 ha, 31 per cent larger than the national average. Within this figure, 5 per cent is made up of woodland and other non-agricultural areas compared with 4 per cent nationally. Cropped land totalled 118 ha or 56 per cent with the remainder consisting of grassland. Winter wheat covered 49 ha which represented 42 per cent of the cropped land whilst oilseed rape accounted for 20 per cent of this area. Total livestock units averaged 134 livestock units per farm, 12 per cent higher than the England sample.

Tables 4 to 8 show the income for this mixed group of farms in 2010/11 by the different income measures. FBI in 2010 averaged £81,706 per farm, 61 per cent higher than the average for mixed farms nationally (£50,857). Forty-seven per cent of average FBI on mixed farms in the South East is derived from Single Farm Payment, whilst only 12 per cent is derived from agricultural activity. Diversified activity accounts for 31 per cent of FBI with agri-environment making up the remaining 10 per cent. Table 10 shows the outputs and costs of these four main costs centres.

Table 11 shows an increase in net worth of 13 per cent to £2,007,818 per farm with land and buildings providing £1,771,800 of the fixed assets. Total external liabilities also rose by 9 per cent to £194,134. The flow of funds statement in Table 12 shows an increased investment in the farm business compared with 2009. Expenditure on new machinery and equipment increased by 43 per cent, investment in landlord capital type improvements 164 per cent and purchases of property increased by 182 per cent. There was a net inflow of funds of £7,708.

Table 15 – Outputs, Inputs and Income – Crop output totalled £125,726. The largest single contribution to crop output was derived from winter wheat (£58,443) followed by oilseed rape (£29,567). In total, crop output was 27 per cent higher than the English average output. Livestock totalled £106,265 which was 12 per cent higher than the national average. Although variable costs were also high totalling £108,478 (15 per cent higher than average for England), the farm gross margin of £243,020 was 32 per cent higher than the national average of £184,113. The single largest item in the variable costs was purchased concentrate feed and fodder at £37,181 per farm.

Pigs (England)

This commentary is based on the national sample of 75 pig farms across England. The change of FBS farm classification to the Standard Output basis, resulted in a change in the farm type label for a large number of farms to Specialist Pig, and this in turn, resulted in a 23 per cent increase in sample size, in comparison with last year. Our report includes all types of pig production system, both independent and contract producing units. The average pig farm was stocked with 2,408 pigs, this is 5.5 per cent higher than those in last year's report, but the increase is likely to be from larger farms within the grouping.

The FBI of Specialist Pig farms averaged £44,439 in 2010/2011. Pig output, at £424,270 was lower than in 2009/2010. An increase in the size of the breeding herd in Europe was the main driver of reduced prices; the Deadweight Average Pigs Price (DAPP) of 141.62 pence per kilogram at the end of April 2011 was two pence per kilogram below the price at the same time in the previous year [30]. The lower price may have contributed to improved UK demand for pigmeat, this increased by 6 per cent in February 2011, compared with February 2010, and the upward price trend was expected to continue [31]. Seasonal events can also determine market opportunities; at Cranswick plc, which had acquired Bowes of Norfolk in 2009, sales of fresh pork were 27 per cent higher in the six months to September 2010 than in the previous year, boosted by a good barbeque season and the World Cup [33].

Overall, producers faced higher production costs when between June and December 2010 British weaner prices dropped by 24 per cent [34]. This development favoured those with finishing units, but correspondingly reduced revenue to breeders. Higher grain prices had an impact on feed which accounted for 55 to 60 per cent of production costs [34].

Outdoor pig production was especially challenging in the winter of 2010 and early spring of 2011. Extreme cold weather created challenging conditions for stock survival and mortality increased. Staff also faced difficult working conditions, faced with maintaining supplies of drinking water to

stock, when freezing of water in pipes was difficult to avoid. Some units were compelled to make early unscheduled moves, following rain and the creation of wet conditions.

The capital position of Specialist Pig Farms was reasonably stable with only a three per cent fall in stock values. However, there was an eight per cent rise in the value of land and buildings. Overall, the closing net worth of £592,337 per farm compared favourably to the opening figure of £555,440.

Poultry (England)

This commentary is based on the national sample data. The 2010/11 sample of 97 egg and broiler, turkey and duck producers was 30 higher, than the previous year. The main reason for the increase was the reclassification of FBS farms by Standard Output. In the expanded sample, the average farm size was 26 per cent larger, and the average bird numbers per farm were 15 per cent higher for hens and pullets, and 32.6 per cent higher for broilers and other poultry. The average FBI for this group was £68,219 per farm, down £4,500 on the previous year.

Disease threats to poultry flocks were mainly restricted to continental Europe. The first European H5N1 detections in 2010 in March/April were found in backyard poultry in Romania¹. In July 2010 infectious coryza (respiratory disease) was confirmed in two separate hobby flocks in Southern England, adding to health and hygiene concerns. The threat from Avian flu remains constant, but cases seem to have steadied. In Europe, Germany in particular, suffered from dioxin contamination originating from feed products.

Poultry output averaged £679,611 per farm.

Feed costs comprised 60% of costs in 2010, mainly due to the impact of higher wheat prices. The long cold winter again impacted on heating and feed in December 2010 and January 2011. Producers experienced increases, in the costs of labour, partly due to maintaining buildings and water systems, over a hard winter, contract and fuel. Increasing feed prices eventually forced an increase in the price of chicks and pullets to egg producers [36].

Some 27.4 million cases of eggs were packed in 2010, compared with 24.6 million in 2009, an 11% increase. The average price per dozen fell by 3.5% to 70p, compounding the pressure from rising input cost [37].

The impending January 2012 EU conventional cage ban, has been a driver of structural change in UK egg production, bringing investment in free range production facilities, and forcing a decision on producers committed to conventional cage production. During 2010/2011, there were indications from other EU member states, that some continental producers might seek a postponement to the introduction of the European legislation. Jim Paice, the UK Agriculture Minister, made it clear that it would not be acceptable for non-compliant continental producers to export their production [38]. The scale of this problem was quantified by Euro MP and Norfolk farmer Stuart Agnew, who calculated that 83 million eggs a day could be produced from intensive cage or battery systems from January 2012 [39]. Proposals to delay the cage ban were eventually overturned in Brussels in March 2011 [40].

Furthermore, concerns over imports of cage eggs through processed products still remain [41]. With regard to the cage ban, postponement looks unlikely as the EU reiterates its commitment to the legislation, and to act against non-compliance. Concerns are rising over an illegal trade in caged bird eggs after the ban considering it is estimated to have cost the UK £400 million to upgrade to enriched colony cages. There are also concerns over the possibility that the UK will be put at a disadvantage for leading the way in animal welfare issues [42].

However, during 2010, oversupply was a significant problem for the industry as cage production continued, as the free range units, established to replace them, were brought into production. Production outstripped market demand, leading to lower prices as the layer population hit 34 million birds [43]. This was further compounded by organic producers and cage bird producers switching to free range, as the lack of demand for premium products in an economic recession coincided with the impending cage ban.

¹ AHVLA GB Emerging Threats Report, Avian Diseases, Vol15, No1, Jan – Mar 2011

Challenges remain for egg producers as feed, pullet and fuel prices continue to increase, whilst packers are able to continue to put pressure on purchase price in an oversupplied market. Although there is pressure for a price increase especially in the egg market, the current economic climate means it is difficult to pass on increased costs to the consumer. One answer may be to include feed price conditions into production contracts [44]. Egg producers, also facing higher feed costs, similarly raised egg prices [44].

Poor weather and the recession were the likely reasons for a reduction in demand for Christmas turkeys in 2010 according to the Anglian Turkey Association [45].

The year saw considerable investment in poultry buildings [46]. These included enriched cage units and free range laying units, but most were for table chicken production. The requirement to insulate buildings and improve infrastructure to meet IPPC regulations, were considered to be important drivers of change. This development was reflected by FBS findings as the value of poultry farm land and buildings increased by 12 per cent.

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