The Contribution of Farming in the GOR North East.

Agriculture in the GOR NE employs 9,870 people, this is 0.9% of the local workforce and 3.4% of the national agricultural workforce; just under 4,000 of these are full-time farmers. The number of agricultural employees decreased by 121 (-4%) from 2009 to 2010 while the regional workforce decreased by 0.6% over the same period. Gross Output generated by the sector is put at £485 million, an increase of 2% on the previous year (£278 million in intermediate consumption) representing £206 million of Gross Value Added (GVA). This represents a total income from farming (TIFF) of £144 million (down 16% on 2009). In context, the intricately linked tourism industry (the Northumberland National Park being, Hadrian’s wall, Pennine dales) is estimated to support 51,000 jobs (4.5% of the regional workforce) and to account for £3.8 billion of annual expenditure, representing 4.6% of the region’s GVA.

The Contributions Made by Farming in the North East to Farming in England

Please note that 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 where applicable http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/publications/farmaccounts/farm-accounts-2011/

Agriculture in the NE region occupies 598,861 ha (6.7% of England’s total agricultural area) of which 54% is classified as Less Favoured Area (LFA). This is distributed over 7,500 holdings of which 4,580 are commercial farms.

The region’s agriculture is dominated by livestock production with 66% of the agricultural area being under grass or rough grazing. The region grows 147,413 ha of crops (4% of England’s crop area) of which 113,341 ha are cereals, 31,488 ha are other arable crops, 1,457 ha potatoes and 1,077 ha in horticulture.

The region carries 277,471 head of cattle (5% of England total and 13% of the national breeding herd) and 1.8 million sheep (13% of the national flock). The Pig herd represents 2.5% of the national total at 89,056 and the Poultry flock 2.3% of the total at 2.6 million.

Cereal and General Cropping farms account for 26% of commercial farms in the region farming 24% of the farmed area; these are found in the coastal plain of Northumberland and the eastern part of County Durham. LFA Beef and Sheep farms account for 35% of commercial farms occupying 46% of the commercial area – these predominate in the Northumberland uplands and the Pennines in County Durham.

1 2010 Standard Output farm classification
Lowland Beef and Sheep farms (22% of commercial farms) occupy 10% of the farmed area and are found across the lowland, eastern areas of the region.

Dairy farms constitute 2% of commercial farms and occupy 2% of the land area – these farms are concentrated in the Tyne Valley and to the south of the region.

The remainder of farms are either mixed (livestock and cropping) farms (11%) distributed across the lowland areas of the region, or a small number of horticultural farms (1%) and intensive pig (1%) and poultry units (1%) which are mainly found on urban fringes in the south-eastern section of the region.

### Commercial Farms by Farm Type in GOR North East

<table>
<thead>
<tr>
<th>Type</th>
<th>2009</th>
<th>2010</th>
<th>% of total</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
<td>803</td>
<td>732</td>
<td>18%</td>
<td>-9%</td>
</tr>
<tr>
<td>General Cropping</td>
<td>412</td>
<td>316</td>
<td>8%</td>
<td>-23%</td>
</tr>
<tr>
<td>Horticulture</td>
<td>56</td>
<td>45</td>
<td>1%</td>
<td>-20%</td>
</tr>
<tr>
<td>Specialist Pigs</td>
<td>50</td>
<td>39</td>
<td>1%</td>
<td>-22%</td>
</tr>
<tr>
<td>Specialist Poultry</td>
<td>57</td>
<td>51</td>
<td>1%</td>
<td>-11%</td>
</tr>
<tr>
<td>Dairy</td>
<td>109</td>
<td>102</td>
<td>2%</td>
<td>-6%</td>
</tr>
<tr>
<td>Grazing Livestock (LFA)</td>
<td>1529</td>
<td>1459</td>
<td>35%</td>
<td>-5%</td>
</tr>
<tr>
<td>Grazing Livestock (lowland)</td>
<td>964</td>
<td>912</td>
<td>22%</td>
<td>-5%</td>
</tr>
<tr>
<td>Mixed</td>
<td>455</td>
<td>479</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>145</td>
<td>47</td>
<td>1%</td>
<td>-68%</td>
</tr>
<tr>
<td>Total (excludes minor holdings)</td>
<td>4580</td>
<td>4182</td>
<td>100%</td>
<td>-9%</td>
</tr>
</tbody>
</table>

Defra June Survey 2010
Diversification

Diversification from traditional agricultural output continues to be of increasing importance to all farms in the Region. This is especially important to farms in the LFA, see table below, and rather less so for the Lowland farming groups. The Single Payment Scheme (SPS) is the most important component of non-agricultural income for all farms. Agri-environmental payments are the second most important source of non-production income, although nearly always inextricably linked to the agricultural activities of the farm, to all groups except dairy and horticultural farms, where accessing revenue from this source is particularly difficult due to their typically intensive level of production. As the table below shows LFA Grazing Livestock farms derive 12% of their Total Output from these sources; the Pennine Dales Environmentally Sensitive Area (ESA) scheme being the most important.
in the region. The Uplands Transitional Payment (UTP) the Uplands Entry Level Scheme (UELS) the English Nature Sheep and Wildlife Enhancement Scheme (SWES) Countryside Stewardship Schemes (CSS) and the Higher Level (HLS) and Entry Level Schemes (ELS) are all essential Agri-environmental income components to farms within this region. The main forms of diversification out of production agriculture typically involve ex-farm contracting services, farmhouse tourism enterprises and/or livery.

**Percentage Business Output by Output area (2010)**

<table>
<thead>
<tr>
<th>Farm Type</th>
<th>Agriculture</th>
<th>Agri-environment and other Payments</th>
<th>Diversification out of Agriculture</th>
<th>Single Payment Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy †</td>
<td>89%</td>
<td>1%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>LFA Grazing Livestock</td>
<td>65%</td>
<td>9%</td>
<td>3%</td>
<td>24%</td>
</tr>
<tr>
<td>Mixed</td>
<td>73%</td>
<td>5%</td>
<td>4%</td>
<td>17%</td>
</tr>
<tr>
<td>Lowland Grazing Livestock †</td>
<td>67%</td>
<td>5%</td>
<td>8%</td>
<td>19%</td>
</tr>
<tr>
<td>Cereals</td>
<td>73%</td>
<td>4%</td>
<td>6%</td>
<td>16%</td>
</tr>
</tbody>
</table>

† data for England (NE sample size <15)

2010 farms are classified on a Standard Output basis and are consequentially not directly comparable to the 2009 data set.

http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs

**2010/2011 FBS year**

**Farming Environment**

**Physical**

The growing season for the 2010 harvest (October 2009 to August 2010) had 5% more rain than the 30yr average of 727mm (29in) and the harvest period itself (August and September) had 24% more rain than average. The growing season was 1% warmer, 2,790 day degrees from October 2009 to August 2010, and had 10% more sun than
normal with 1,379 hours of sunshine. The autumn of 2009 (September and October i.e. the 2010 crop planting season) was particularly dry compared to the norm with only 70% of the normal rainfall. The summer growing period for the 2010 harvest was 7% warmer than normal and the harvest period 2% warmer. The summer growing period also received 10% more sunshine than normal. ([http://www.metoffice.gov.uk](http://www.metoffice.gov.uk)).

**Weather data for NE England**

![Average Mean Temperature - North East England](chart1)

![Average Monthly Rainfall - North East England](chart2)

![Average Monthly hours of Sunshine - North East England](chart3)

**Economic – Agricultural prices**

The Agricultural Price Index (API) tables, shown below, demonstrate how over the past 6 years there has been an overall increase in all output indices from the base of 2005. All outputs peaked in 2008 followed by a slight dip in 2009. Sheep output bucked this trend and has enjoyed a six-year high. Agricultural inputs followed a similar pattern, in most cases peaking in 2008, followed by a slight dip in 2009 before climbing again in 2010. Oil based or dependant inputs have previously shown the largest increases, but labour based inputs have also risen sharply over the past year.
API : Index of Producer Prices of Agricultural Products (United Kingdom).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total of all products</th>
<th>Crop products</th>
<th>Cereals</th>
<th>Industrial Crops</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2006</td>
<td>104.5</td>
<td>109.4</td>
<td>111.8</td>
<td>106.7</td>
<td>108.2</td>
<td>102.4</td>
<td>97.2</td>
</tr>
<tr>
<td>2007</td>
<td>118.8</td>
<td>133.6</td>
<td>166.7</td>
<td>108.2</td>
<td>109.9</td>
<td>91.8</td>
<td>112.2</td>
</tr>
<tr>
<td>2008</td>
<td>143.3</td>
<td>153.7</td>
<td>207.1</td>
<td>152.4</td>
<td>141.9</td>
<td>116.4</td>
<td>140.4</td>
</tr>
<tr>
<td>2009</td>
<td>135.8</td>
<td>131.1</td>
<td>150.1</td>
<td>132.0</td>
<td>151.4</td>
<td>147.4</td>
<td>128.4</td>
</tr>
<tr>
<td>2010</td>
<td>144.9</td>
<td>150.3</td>
<td>172.4</td>
<td>146.8</td>
<td>144.2</td>
<td>162.2</td>
<td>133.5</td>
</tr>
</tbody>
</table>

API : Index of the Purchase Prices of the Means of Agricultural Production (United Kingdom).

<table>
<thead>
<tr>
<th>Year</th>
<th>All means of agricultural production</th>
<th>Energy and lubricants</th>
<th>Fertilizers and soil improvers</th>
<th>Plant protection products</th>
<th>Animal feed</th>
<th>Maintenance and repair of plant</th>
<th>Veterinary services</th>
<th>General expenses</th>
<th>Maintenance and repair of buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2006</td>
<td>103.8</td>
<td>112.2</td>
<td>105.7</td>
<td>102.5</td>
<td>104.6</td>
<td>105.8</td>
<td>106.9</td>
<td>102.6</td>
<td>106.3</td>
</tr>
<tr>
<td>2007</td>
<td>114.2</td>
<td>117.9</td>
<td>119.8</td>
<td>104.2</td>
<td>129.7</td>
<td>109.9</td>
<td>108.4</td>
<td>107.8</td>
<td>114.1</td>
</tr>
<tr>
<td>2008</td>
<td>139.9</td>
<td>158.2</td>
<td>272.5</td>
<td>106.4</td>
<td>167.3</td>
<td>116.3</td>
<td>104.0</td>
<td>113.5</td>
<td>122.3</td>
</tr>
<tr>
<td>2009</td>
<td>129.9</td>
<td>130.4</td>
<td>189.9</td>
<td>108.5</td>
<td>152.5</td>
<td>121.5</td>
<td>104.7</td>
<td>115.4</td>
<td>122.0</td>
</tr>
<tr>
<td>2010</td>
<td>135.6</td>
<td>147.1</td>
<td>182.4</td>
<td>105.6</td>
<td>160.8</td>
<td>126.9</td>
<td>118.8</td>
<td>123.3</td>
<td>130.1</td>
</tr>
</tbody>
</table>

A full range of time series data on Agricultural input and output prices is available at: http://www.defra.gov.uk/statistics/foodfarm/farmgate/agripriceindex/.

Exchange rates

The Sterling: Euro exchange rate is critical to UK agriculture. The Single Farm Payment rates are set in Euros (converted into Sterling on every 30th September) and most of the UK Agricultural exports are to Europe. In 2009 97% of UK Beef and Sheepmeat exports went into Europe alongside 94% of UK Wheat exports (2009 harvest). The devaluation of the pound against the euro since 2007 has made UK exports to Europe 30% more attractive and EU27 exports into the UK 30% less attractive (this trend reversing slightly in 2010). This export trade with EU27 has played a major part in the continued strength of Cattle and Sheep prices – see below.
Farmgate prices

Cereal prices remained stable throughout the early part of 2010 at about £100/tonne for wheat (feed) and £80/tonne for barley. Immediately after harvest prices took off to reach highs of £179/tonne for barley and £200/tonne for wheat in early 2011. Prices then fell back slightly with both crops stabilising at about £150/tonne towards the 2011 harvest. Full details for all cereals from:
http://www.defra.gov.uk/statistics/foodfarm/farmgate/commodity/

Oilseed Rape prices for the 2010 harvest remained very strong rising from £280/tonne at harvest to a high of £421/tonne in January 2011.

UK Feed Wheat, Feed Barley and Oilseed Rape prices

Lamb prices in 2010 showed a slight improvement on 2009 levels peaking at 416p/kg deadweight in May 2010 – excellent news for early lambers and those that had chosen to risk the overwintering gamble. Past experience of poor returns and justified anxiety over competition from frozen imports continues to dissuade finishers from overwintering lambs for sale in the new year but those that did saw prices reaching 354p/kg in early January 2011.

Clean cattle prices ranged between 140p/kg lwt and 160p/kg lwt through 2010. The lowest price recorded was 138p/kg lwt in May, the highest 165p/kg lwt in December. Full weekly price history for Cattle, Sheep and Pigs at
Milk prices in the UK increased slightly in the 2010/11 milk year to an average of 25.11 pence per litre (ppl) (by 5.7% or 1.36 ppl up on the 2009/10 year). As a consequence UK milk production volumes increased by 4% to 13,300 million litres in the 2010/11 milk year. Dairy farms also saw a 12% rise in profitability, measured as Farm Business Income (FBI) to £66,200/farm (Farm Accounts in England). Producers have however continued to leave the industry (4% reduction in Dairy farms in England from 2009 to 2010). Milk butterfat content dropped back slightly again in the 2010/11 year to 3.95% after a gradual increase over the period 2004 to 2008, milk protein levels remained stable at the 3% mark http://mdcdatum.org.uk .

Policy Developments

The Single Payment Scheme (SPS)

Following the CAP Mid-Term Review all direct subsidies to Beef, Sheep and Arable enterprises were discontinued at the end of 2004. A Single Farm Payment was introduced for the 2005 cropping year, based partly on historic subsidy claims and partly on the area currently farmed. As a consequence, all gross outputs from the traditional enterprises
appear to be dramatically reduced by this amount of direct support. The compensatory SPS revenue is now typically presented as Other Income. The asset value of the SPS entitlements reflects their hoped-for future income streams tempered by a degree of risk associated with the uncertainty of future levels of modulation (movement of funds from the SPS to Agri-environment schemes) and the conditions of cross-compliance.

2010 was the sixth year of the SPS with the historic component reduced to 25% (from 40%) and the area component rising from 60% to 75%. Modulation remained at 19% (11% UK, 8% EU, EU modulation is refunded on first €5,000). In practical terms this meant that the area payment component alone (at 75% inclusion) was £241/ha, £195/ha and £34/ha for Lowland, Severely Disadvantaged Area (SDA) and Moorland designations respectively. The modulation refund amount for the 2010 SPS year of £215 was paid with the main SPS payment rather than in the following September which had been the case in previous years. Non-moorland areas of the Disadvantaged Area (DA) designation of the Less Favoured Area (LFA) qualified for the Lowland rate and, in recognition of this, were not able to claim Hill Farm Allowance (HFA) from 2007 and are thus ineligible for UTP and UELS payments (see below). The Rural Payments Agency (RPA) delivery of the 2010 SPS payments was on a par with the 2009 scheme with 85% of 2010 claimants having been paid by the end of December 2010. There are still farms with unresolved SPS claims from 2005 – a great number of which involve farms with claims on Commons and Shared grazing. Ironically it is these high LFA farms that rely most heavily on the SPS for their continued survival.

**Dairy Farmers of Britain (DFoB)**

The collapse of the DFoB cooperative in June 2009 hit a number of dairy farmers in the North East. The cooperative, which had been the country's third largest, ran into trouble following an ill-fated acquisition of Associated Co-operative Creameries in 2004. Further problems followed with its inability to modernise and realise processing efficiencies. As a result DFoB farm prices fell, confidence in management fell and members started to leave. About half of the membership, 900 members, left between November 2008 and June 2009. The smaller and more remote producers of the North East found themselves without realistic buyers; there were temporary arrangements with the receiver at 10ppl and Milk Link at 18ppl, and as a consequence producers at the margins have been forced to leave the industry. Members also lost all capital contributions to the cooperative – reflected in an average asset value drop of £1,200 per farm across all dairy farms in the country. While an accurate number of active producers remains difficult to ascertain official statistics reveal that the number of commercial dairy producers in the North East fell from 106 to 102 over the period 2009 to 2010.

**Upland Entry Level Scheme (UELS) & Upland Transitional Payment (UTP)**

The HFA scheme, which replaced the Hill Livestock Compensatory Amount in 2000, ended with the 2009 scheme year and the final payments were received in Spring 2010. From 2010, farms eligible for HFA (see note below) were able to apply for the Upland Entry Level Scheme (UELS) provided the farm is in an Entry Level Scheme (ELS) or Higher Level Scheme (HLS) and can secure sufficient points. From 2007 farms under the Disadvantaged Area (DA) designation were deemed no longer eligible for the HFA. This is because the DA areas are considered adequately compensated by their lowland designation in the Single Payment Scheme, i.e. the higher rate area payment. The earliest entry date possible for this scheme was 1st July 2010. Land currently in Countryside Stewardship Schemes or Environmentally Sensitive Areas may not receive UELS (while these agreements remain in place) but is eligible for UTP payments.
## Upland Entry Level Scheme (UELS) - payment rates

<table>
<thead>
<tr>
<th>Category</th>
<th>UELS £/ha</th>
<th>OUELS £/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDA below the moorland line</td>
<td>62</td>
<td>92</td>
</tr>
<tr>
<td>SDA above the moorland line in parcels of &lt;15ha (not commonland)</td>
<td>62</td>
<td>92</td>
</tr>
<tr>
<td>SDA above the moorland line in parcels of &gt;15ha (not commonland)</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>SDA above the moorland line in parcels of &gt;15ha on commons</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>

## Uplands Transitional Payment (UTP) - payment rates

<table>
<thead>
<tr>
<th>Category</th>
<th>&lt;350 ha £/ha</th>
<th>350-700ha £/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDA Moorland</td>
<td>39.02</td>
<td>19.51</td>
</tr>
<tr>
<td>Moorland</td>
<td>14.78</td>
<td>7.39</td>
</tr>
</tbody>
</table>

FBS Results by Farm Type 2010/2011

### Performance of Farms in 2010/11 (2010 lamb crop and harvest year)

The following commentaries by Farm Type are based on Farm Business Survey data that has been weighted according to farm business population distributions by size and type as recorded by the June Census. For a full description of the weighting method see [http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/](http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/).

Farm Business Income (FBI) is the standard basis for the comparison. Where farm type sample size allows (15 or more) the data for GO NE is used for the commentary, where sample size does not allow, National data are used.

![Farm Business Income by Farm Type (£/farm)](chart)

Note:  
- * - National data (GOR NE sample <15)
- 2010 farms are classified on a Standard Output basis and are consequentially not directly comparable to the 2009 data set.

### Cereal Farms

The average Cereal farm of the region received a Farm Business Income (FBI) of £105,283 for the 2010/11 year. This represents a return on total capital invested (on average £1.5 million) of 7%. The average farm business output was £370,450 in the year, 73% came
from traditional agricultural output, 4% from agri-environmental schemes, 6% from diversification activities and 16% from the Single Farm Payment. Of the agricultural output 86% (£234,640) was crop output, of which 48% was winter wheat, 2% spring barley and 14% winter barley. Oilseed rape accounted for a further 20% of the crop output. The average farm size in 2010 was 250 ha, of this: 80 ha was in winter wheat, 38 ha in winter barley, 9 ha in spring barley, 36 ha in oilseed rape and a further 35 ha in other crops and environmental schemes. 24 ha is in grass. Cereal farms have, on average, 9 beef cows with 17 followers and 77 ewes with 92 followers. The average labour requirement for Cereal farms was 1.94 annual labour units of which 0.89 were regular paid employees and 0.11 paid casual, the remainder being farmer and spouse (0.75) and other unpaid, typically other family members (0.2). The average Cereal farm variable costs for agriculture were £107,652 with fertiliser £33,788, crop protection £23,057, seed £10,167, and contract costs £15,138 being the main items. The average fixed costs for agriculture were £147,385 with machinery costs being responsible for £58,809 (40%) and labour for £15,667 (11%). The average expenditure in machinery and equipment for the year was £24,081 per farm, and the average capital value of plant and machinery is £162,004 per farm.

**Dairy Farms**

The small sample size of Dairy farms in the North East region renders it impossible to present these data on a regional basis. The following commentary is therefore drawn from the national sample.

The average English Dairy farm received a Farm Business Income (FBI) of £66,239 for the 2010/11 year. With an average total asset value of £1.4 million this represents a 4.6% return on capital. The average total output of £401,153; 89% of this total output is from production agriculture, 2% from diversification, 1% from agri-environmental schemes and 7% from the Single Farm Payment. Livestock output of £323,981 per farm accounts for 90% of the agricultural output and milk is 88% of that. The farmgate milk price rose by 1.36 pence per litre (ppl) to 25.11ppl from the 2009 to the 2010 year. The total volume of milk supplied for 2010 of 13,332 thousand million litres was 500 million litres more than that supplied in 2009 – partly due to the price increase. The low uptake of agri-environmental schemes and minimal exposure to diversification activities is largely due to the high intensity of production of these specialised dairy farms. The average expenditure on variable costs for agriculture was £193,921 per farm with feedstuffs accounting for 53% (£102,279) fertilizers 7%, and veterinary expenses 7% (£13,168). Fixed costs for agriculture were £135,406 per farm with machinery expenses being responsible for 35% of the total and labour for 22%. Grazing livestock numbers increased by 8.3% from 2009 to 2010 - the average dairy herd in England is now 144 cows (11% increase on 2009) on an average farm size of 139ha (11% increase on 2009). Labour use on dairy farms increased by 8.1% in line with the herd expansions with the average farm now using 1.58 annual labour units of paid labour out of a farm total of 3.59 units (the remainder being farmer and family labour). Investment in plant and machinery was £27,751 (total average machinery value of £129,756) and investment into landlord capital type improvements averaged £24,154 per farm.

**General Cropping Farms**

The small sample size of General Cropping farms in the North East region renders it impossible to present this data on a regional basis. The following commentary is therefore drawn from the national sample.

The average General Cropping farm received a Farm Business Income (FBI) of £111,707 for 2010. On an average total asset value of £2.1 million this represents a return on capital of 5.4%. The total farm business output was £430,288. Of this, 84% came from production agriculture, 2% from agri-environmental schemes, 3% from diversification activities, and 11% from the Single Farm Payment. Of the agricultural output 92% was from crops, of which 27% was potatoes and 26% winter wheat. The average farm size in 2010 was 223 ha, of this: 65 ha was in winter wheat, 30 ha in other cereals, 14 ha in potatoes, and 17 ha in oilseed rape. A further 16 ha is down to grass and 13 ha in fallow
and arable fodder crops. The average labour requirement for General Cropping farms was 3.28 annual labour units of which 1.36 were regular paid employees and 0.68 paid casual, the remainder being farmer and spouse (0.95) and other unpaid, typically other family members (0.3). The average General Cropping farm variable costs for agriculture were £141,181 with fertilizer £30,400, crop protection £29,344, seed £24,314 and contract costs £22,040 as the major items. The average fixed costs for agriculture were £166,417 with machinery costs being responsible for £63,958 (38%) and regular labour for £29,364 (18%). The average investment in machinery and equipment for the year was £33,947 making a total machinery asset value of £166,475 per farm.

**Horticulture Farms**

In all regions of England, horticultural production is carried out by a wide range of businesses, and encompasses the production of a wide range of crops.

Horticultural activity occupies about 2,320 hectares in the North East, (Source: Defra June Survey). This represents about 1.5% of the total area of horticultural crops in England. The main activities are as follows: 944 ha Vegetable and salad crops grown in the open, 68 ha Hardy nursery stock, and 53 ha Commercial orchards. There are 12 ha of these crops grown under glass in the region.

June census data puts the number of commercial horticultural holdings in the region at 45 (new criteria applied to 2010 data set onwards).

There were insufficient farms in the sample for GOR North East to present regional financial and economic data, but some observations for England will be relevant to the horticultural businesses of the region.

The average Farm Business Income (FBI) for horticultural businesses in England was £48,022 per business. A total of 91% of the FBI was generated from horticultural production with just 2% coming from the Single Farm Payment. Diversification contributed 7%, or £27,050, to the FBI. The total farm output for this sample of holdings was £416,106 per farm. Variable costs for agricultural production activities were £197,578 per farm and fixed costs £170,854. Of the variable costs, seed expenses account for 34% (£66,240) and other crop costs (including crop-specific heating and irrigation) account for 29% (£55,377). Labour costs account for 48% (£75,622) of fixed costs and Machinery 20% (£31,678).

Horticultural businesses spent on average of £19,061 on machinery resulting in a total machinery asset value of £74,472.

**LFA Grazing Livestock Farms**

The average Farm Business Income for an LFA Cattle and Sheep farm was £28,021 in 2010/11. This represents a 4.8% return on capital on a total asset value of £581,371 per farm. The average total farm output of £130,431 came from agricultural activities (65%) diversification (3%) agri-environmental schemes (9%) and the Single Farm Payment (24%). Of the total agricultural output of £84,979, beef output accounts for 39% and sheep output for 50%. Variable costs for agriculture were £50,640 per farm with feedstuffs being the major component at £20,521 per farm (41% of the total) and veterinary costs at £4,209 (8%). Fixed costs for agriculture were £45,897 per farm with machinery costs taking the largest share at 45%, followed by land and property costs at 19% (£8,535). There are 127 Grazing Livestock Units (GLU) on an average farm. The average beef herd was 44 cows with 89 followers per farm, and the sheep flock 438 ewes with 444 other sheep. The average farm size, excluding common grazings was 185 ha including 57 ha of sole occupation rough grazing. The average farm employed 1.64 annual labour units of which 1.3 were farmer and family and 0.34 paid regular and casual. The average investment in machinery and equipment in the year was £12,741 per farm and landlord’s capital type investment averaged £3,432 per farm.
Lowland Grazing Livestock Farms

The small sample size of Lowland Grazing Livestock farms in the North East region renders it impossible to present this data on a regional basis. The following commentary is therefore drawn from the national sample.

The average Farm Business Income (FBI) for an English Lowland Cattle and Sheep farm was £21,410 for the 2010/11 financial year. On an average total asset value of £910,517 this FBI represents a 2.4% return on capital invested Total output for an average farm is £111,837. Traditional agricultural output accounts for 67% of this output, with agri-environmental schemes (5%) diversification (8%) and the Single Farm Payment (19%) making up the remainder. Of the agricultural output, livestock output accounts for 75%; and of this; beef output contributes 67% and sheep 28%. Average fixed costs for agriculture were £40,547 with machinery costs being responsible for 43% of this total. Variable costs for agriculture were £41,488 per farm. Feedstuffs accounted for 41% of the total, fertilizers 11%, and vet costs 7%. The average Grazing Livestock Units (GLU) per farm is 105 GLU. The average flock size is 164 ewes with 151 other sheep. The beef herd averages 25 cows per farm with 100 followers. Total labour use is 1.59 annual labour units per farm. Of this labour total, 0.35 units are paid workers and the remainder are farmer and family. Investment in machinery and equipment by these farms was £9,252 per farm making an average total machinery asset value of £50,826 per farm. Investment into landlord type capital was £4,428 per farm.

Mixed Farms

The small sample size of Mixed farms in the North East region renders it impossible to present these data on a regional basis. The following commentary is therefore drawn from the national sample.

The Farm Business Income (FBI) for an average Mixed farm in the North East is calculated to be £50,323 for the 2010/11 year. A typical North East Mixed farm will have a total asset value of £1.8 million so the above FBI represents a return on capital of 2.8%. The total Farm Output of £290,440 is made up of 73% traditional agricultural output, 5% from agri-environmental schemes, 4% from diversification activities and 17% from the Single Farm payment. Of that agricultural output 37% is from livestock, mainly beef and sheep, and 60% from cropping, of which: 43% is winter wheat output, 26% barley output and oilseed rape (12%). The average fixed costs for agriculture were £111,441 per farm with machinery expenses accounting for 37% of the total and regular labour 21%. Mixed farm variable costs for agriculture were £113,378 per farm for the year, and of these, the major component is fertiliser at £26,830 followed by feedstuffs at £23,097. Total Grazing Livestock Units (GLU) on Mixed farms were on average 134 GLUs per farm. This is made up of an average herd size of 30 cows with 112 other cattle and an average flock size of 248 ewes with 327 other sheep. Labour use on North East Mixed farms averaged 2.36 annual labour units, with paid labour accounting for 1.13 of that total and family labour making up the rest. Investment in machinery and equipment in the year was £25,716 per farm (total machinery asset value of £115,828) and investment in landlord type capital was £30,547 per farm.

Pigs (England)

There are insufficient Pig farms in GOR NE to present these data – this commentary is based on the national sample data.

This commentary is based on the national sample of 75 pig farms across England, which can be found at [http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-published-farmacc-2011-table6_1to6_20-111215.xls](http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-published-farmacc-2011-table6_1to6_20-111215.xls). 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, and 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 year². 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 continue³. 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 Cup⁴.

Overall, producers faced higher production costs. Between June and December 2010, British weaner prices dropped by 24 per cent⁵. 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 costs⁶.

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, and the challenge of 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 but 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)**

There are insufficient Poultry farms in GOR NE to present these data – this commentary is based on the national sample data.

This commentary is based on national sample data which can be found at [http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-published-farmacc-2011-table6_1to6_20-111215.xls](http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-published-farmacc-2011-table6_1to6_20-111215.xls). In 2010/11, the average specialist poultry farm size was 26% larger, and the average bird numbers per farm were just under 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; 6 percent lower than the previous year. In the expanded sample, the average farm size was larger, and the average bird numbers per farm were 20 per cent higher for hens and pullets, and 40.6 per cent higher for broilers and other poultry. The average FBI for this group was £68,219 per farm; this was significantly lower than the 5 year average.

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 Romania⁷. 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.

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² Farmers Weekly 28 April 2011
³ Farmers Weekly 6 April 2011
⁴ FoodEast, [www.foodeast.com](http://www.foodeast.com) November 2010
⁵ Farmers Weekly 1 December 2010
⁶ Farmers Weekly 24 August 2010
⁷ AHVLA GB Emerging Threats Report, Avian Diseases, Vol15, No1, Jan – Mar 2011
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 producers8.

Some 27.4 million cases of eggs were packed in 2010, compared to 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 cost9.

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 production10. 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 201211. Proposals to delay the cage ban were eventually overturned in Brussels in March 201112.

Furthermore, concerns over imports of cage eggs through processed products still remain13. With regard to the cage ban, postponement looks unlikely as the EU reiterates its commitment to this legislation, and to act against non-compliance. Concerns are rising over an illegal trade in caged bird eggs after the ban, and 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 issues14.

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 birds15. 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.

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. Whilst 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 contracts16. Egg producers, also facing higher feed costs, similarly raised egg prices17.

Poor weather and the recession were the likely reasons for a reduction in demand for Christmas turkeys in 2010 according to the Anglian Turkey Association18.

The year saw considerable investment in poultry buildings19. These included enriched cage units and free range laying units, but most were for table chicken production. The

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8 Farmers Weekly Interactive, www.fwi.co.uk 23 November 2010
9 The poultry site, www.thepoultrysite.com, UK egg statistics, 1st, 2nd, 3rd and 4th quarter 2010
10 Farmers Weekly Interactive, www.fwi.co.uk 8 November 2010
13 Farmers Weekly Interactive, www.fwi.co.uk, 30th November 2011
14 The poultry site, www.thepoultrysite.com, 17th November 2011
16 Farmers Weekly Interactive, www.fwi.co.uk, 23rd November 2011
17 Farmers Weekly Interactive, www.fwi.co.uk 3 November 2010
18 Farmers Weekly Interactive, www.fwi.co.uk 5 January 2011
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.

19 Farmers Weekly Interactive, www.fwi.co.uk 13 January 2011