

West Midlands 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 West Midlands region

The West Midlands region, consists of the counties of Herefordshire, Shropshire, Staffordshire, Warwickshire and Worcestershire, and covers an area of 13,000 square km. It ranges from Stoke-on-Trent in the North East to Ross-on-Wye in the South and borders the Black Mountains of Wales in the West.



The region is home to 5.5 million people (9% of the GB total), more than half of whom live in large conurbations such as Wolverhampton, Coventry and Birmingham; the latter is the capital of the region and the second largest city in the UK, with a population of over 1 million. About 35% of the population live in rural areas, many of whom commute into the towns and cities to work.

The West Midlands was the birthplace of the Industrial Revolution and still has one of the highest proportions of manufacturing companies of any UK region, accounting for 11.8% of all people employed, a figure which has declined in recent years, with the service sector becoming more important. The region contributed 7.2% (£93.1 billion) of the UK's Gross Value Added (GVA) in 2010. Major local companies with headquarters in the West Midlands include Jaguar, Land Rover, Aston Martin, IMI PLC, Lucas, Tarmac, GKN, JCB and Wedgwood.

Table 1 – employment by industry sector in the West Midlands

	Employee Jobs	Proportion %
Agriculture, Forestry and Fishing	33,000	1.3
Mining, Energy and Water	32,000	1.2
Manufacturing	302,000	11.8
Construction	160,000	6.2
Distribution, Finance and Business Services	1,022,000	39.9
Education, health, public admin & other Services	680,000	26.5
Other	335,000	13.1

Source: Employment by industry sector in the West Midlands – accessed 9-12-11
<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-226766>

There are 2,618,000 economically active and 1,720,000 economically inactive people in the Region.

The employment rate in agriculture and the related sectors is a little over one per cent [1.3%] of the total with over three quarters engaged in distribution, finance and business services and, education, health, public administration & other services.

During 2010 the unemployment rate in the West Midlands fell during the first half of the year from 9.2% in January to 8.4% in July. This decline, however, did not continue in the second half of the year as the rate increased throughout the remaining months to 9.7% in December, compared with a peak of 10.5% in May 2009. During the same period the UK unemployment rate fell from 8.0% at the beginning of the year to 7.8% in July 2010 before increasing to 7.9% in December, compared with the higher underlying unemployment trend in the West Midlands region.

Although at the heart of the nation's transport network, the West Midlands economy suffers a number of particular problems, including low life expectancy, below average levels of worker skills, and low worker productivity – GVA per head at £17,060 (2010), is only 82% of the UK average and this proportion has been falling in recent years. The rural west of the region contains some of the most remote and sparsely populated areas in England, with attendant problems relating to access to services and work.

About 80% of the region is rural and contains five Areas of Outstanding Natural Beauty (AONB)-Cannock Chase, Cotswolds, Malvern Hills, Shropshire Hills and Wye Valley. Part of the Peak District National Park (NP) is situated in the region, together with 19 Special Areas (SA) of conservation, plus 26,000 hectares of Sites of Special Scientific Interest (SSSI). However, these areas of AONB, NP, SA and SSSI are smaller than that of other regions in England.

Farming in the West Midlands Region

The 13,689 holdings in the region in 2010 covered 915,412 ha (70% of land in the region and 10.3% of the total agricultural area in England), with some 49% of this in an arable rotation, set aside/fallow, or leys and a further 45% under permanent grass. Around 9.3% of these farms were less than 5 ha, this being a lower figure than in previous years in line with Defra's June Survey reporting on commercial holdings with small part time non-commercial holdings excluded.

Farming in the West Midlands region is dominated by livestock, but there are also areas of intensive arable farming and horticulture. The region accounts for around 14.4% of the cattle and sheep in England, with the heaviest concentrations within the region in the rural west, and sheep production (accounting for 14.7% of the England total) dominating in the Black Mountains of Herefordshire and the moorlands of Staffordshire. Arable farming is

widespread, and includes 15.9% of the potato area in England. There are over 25,000 ha of horticulture crops (around 12% of the England total), predominantly in Herefordshire, the Vale of Evesham and the red sandstone areas of mid-Worcestershire. Around 47% of this area is vegetables and salads grown in the open and the remainder being, apples and protected fruit production, with a very small area of hops.

Agriculture contributed 0.87% of the region's GVA in 2009, (with 2009 being the most current data available), a figure which has remained relatively constant over the last five years, and provided 1.26% of regional employment (England average 1.51%). Agriculture in the West Midlands region accounted for 11.80% of the GVA for agriculture in England as a whole, down from 11.90% in 2005.

The 2010/11 FBS year in the West Midlands region

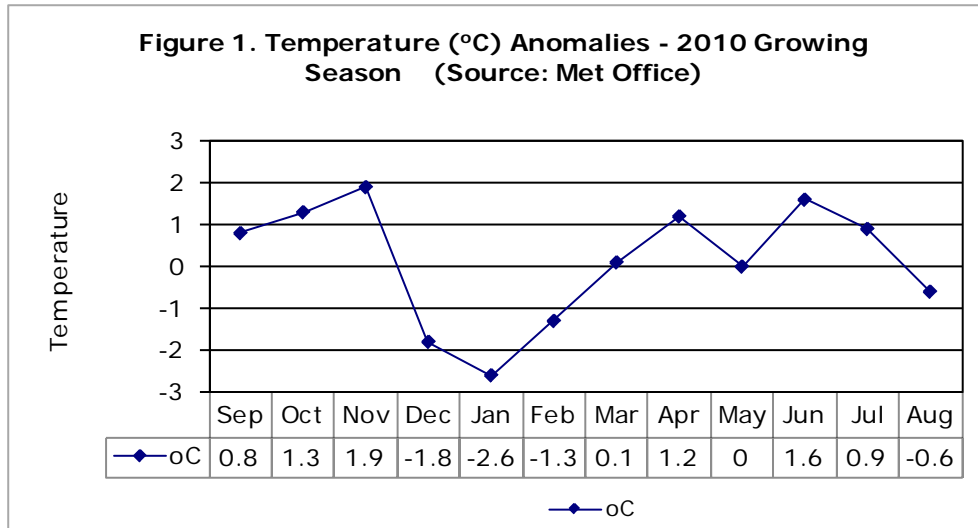
Weather

The autumn of 2009 was mild and dry which led to good conditions at the time of drilling. November proved to be a very wet month with rainfall 92% higher than normal – in contrast to the region seeing just 34% and 77% of average rainfall in September and October respectively. Sunshine hours throughout the autumn did not deviate far from the norm with September and November seeing just over the seasonal average, +4% and +8%, while October saw cloudier conditions. November proved to be the warmest recorded since 1994 and the second wettest since 1914.

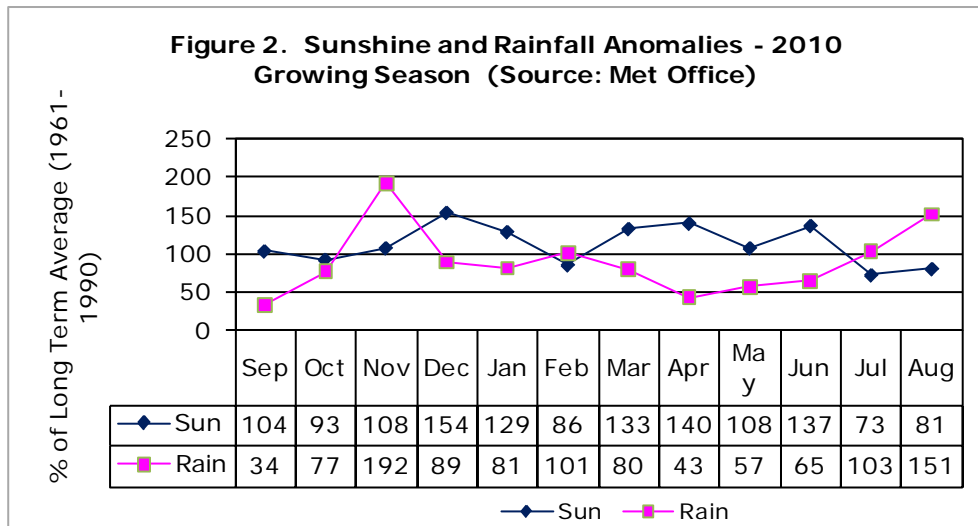
The winter months of December 2009 through to February 2010 proved to be considerably colder, sunnier and drier than the seasonal averages. Temperatures in December were 1.8°C lower than the seasonal average while January was 2.6°C degrees lower and February was 1.3°C lower. December through to February had 5, 7 and 4 more days with air frost than normal and in fact was the coldest winter recorded since 1995. January continued the cold theme with the month being the coldest since 1987. In comparison to the regional averages the winter was sunnier than normal and December and January received 54% and 29% more sun than average in line with the high pressure which was causing the cold weather. Rainfall in January and February was 11% and 19% lower than average.

Spring 2010 was warmer sunnier and drier than average. April and May were particularly dry months with less than 80%, 43% and 57% of average rainfall seen in April, May and June; April to June was also particularly sunny with sunshine hours 33%, 40% and 8% higher than average. April was the fifth sunniest on record in a data series going back to 1929.

The summer months of 2010 proved a challenge for farmers of most farm types. The drought conditions seen in the spring continued into the early summer. The mean temperature recorded in June was 1.6°C warmer than average and the region saw just 65% of the average rainfall. Sunshine hours during June were 37% above average. July proved to be a mixed month with a drier first half followed by showery conditions in the second half of the month, which made harvest difficult. August followed the trend seen in July with below average temperatures, low sunlight and 151% of the average rainfall.



Source <http://www.metoffice.gov.uk/climate/uk/2009/>
<http://www.metoffice.gov.uk/climate/uk/2010/>



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Economic Background

Prices of agricultural commodities rose in 2010 following a decrease in 2009. Of particular note were significant increases in the producer prices for cereals and forage crops. The producer prices for fresh vegetables and flowers and plants also increased markedly. Producer prices for livestock were similar to the previous year with the livestock products of milk and wool increasing by 4% and 50% respectively, whilst egg prices were down almost 5%. General inflation, as measured by the Consumer Price Index (CPI), rose from 2.9% in December 2009 to 3.7 in December 2010, with the main contributing factors being increases in the price of food and beverages and for transport.

Table 2 - Producer prices for agricultural products (2005=100)

Crop Products	2006	2007	2008	2009	2010
Cereals	111.8	166.7	207.1	150.1	172.4
Industrial crops	98.7	112.0	159.9	139.1	146.8
Forage Crops	95.2	128.6	145.6	147.0	181.5
Fresh Vegetables	109.1	122.1	117.5	113.9	131.9
Potatoes	131.1	146.7	154.3	123.4	141.2
Fresh Fruit	104.1	107.4	126.4	124.6	129.6
Seeds	100.2	118.3	126.4	126.4	126.4
Flowers & Plants	103.4	110.1	115.1	116.7	138.2
Other Crop Products	100.5	113.3	119.4	119.5	119.9
Livestock & livestock products					
Livestock for Slaughter & export	103.5	105.5	133.2	146.0	146.2
Milk	97.2	112.2	140.4	128.4	133.5
Eggs	104.0	118.3	140.4	144.7	137.8
Wool Clip	36.4	77.7	78.9	71.4	107.5

Source: DEFRA, Agri Price Index

Input prices rose again in 2010, with fixed costs rising at a faster rate than variable costs. Within variable costs there were both increases and reductions to the main items listed. Animal feedingstuffs, maintenance costs, veterinary costs and general expenses all increased while crop input costs for fertiliser, plant protection and seeds were down on the year before. Costs relating to agricultural investment increased in 2010, with those for machinery & equipment, vehicles, buildings and soil improvements increasing by 1.6%, 4.3%, 5.1% and 1.3% respectively.

Table 3 - Prices of agricultural inputs (2005=100)

	2006	2007	2008	2009	2010
Goods and services currently consumed in agriculture	100.0	103.7	115.2	145.5	136.5
Animal feedstuffs	104.6	129.7	167.3	152.5	160.8
Seeds	92.5	104.3	111.6	112.1	110.3
Fertilisers and soil improvers	105.7	119.8	272.5	189.8	182.4
Plant protection products	102.5	104.2	106.4	108.5	105.6
Maintenance and repair of plant	105.8	109.9	116.3	121.5	126.9
Energy and lubricants	112.2	117.9	158.2	130.4	147.1
Maintenance and repair of buildings	106.3	114.1	122.3	122.0	130.1
Veterinary services	106.9	108.4	104.0	104.7	118.8
Other goods & services (General expenses)	102.6	108.2	113.5	115.4	123.3
Contribution to agricultural investment					
Machinery and other equipment	104.5	110.3	117.5	122.1	124.0
Vans & Lorries	100.7	101.4	105.1	114.5	119.4
Buildings	105.9	113.0	120.3	120.6	126.7
Engineering & soil improvements	102.1	107.3	112.1	118.2	119.8

Source: DEFRA, Agri Price Index

A Defra review was carried out in 2009, in consultation with stakeholders to determine the best source of farm rents data. It concluded that the Farm Business Survey should become the main source of data and that the Tenanted Land Survey (the previous source of rent data) be discontinued. The latest source of data currently available is for 2009.

Average Full Agricultural Tenancies (FAT) rents in England remained relatively stable in 2009 at £140 per hectare following an increase of 5.1% in 2008. Rents for Farm Business Tenancies (FBT) also remained stable at the 2008 recorded value of £160 per hectare, following an increase of 5.4% in 2008. In the West Midlands rents paid for FAT increased by 3% while those paid for FBTs increased by 12%, significantly higher than the average of 1% for England. Rents paid for seasonal agreements decreased by 7% following a decrease of 8.5% in 2008.

Land values in the West Midlands increased on average by 13.6% in 2010 following a decrease in 2009 of 5.4% in 2009. The increases varied according to its main use with the lowest increase (+12.1%) for dairy while the largest increase noted was for mixed farms (+15.5%). The highest land values achieved in the West Midlands continued to be for arable land at £20,686 per hectare, £617 per hectare ahead of the values for dairy and mixed farms.

Table 4 – Prices of equipped land, with vacant possession in the West Midlands region 2009-10

	2009 (£/ha)	2010 (£/ha)	Difference (%)
Arable - prime	18,261	20,686	13.3%
Dairy - excl. quota	17,908	20,069	12.1%
Livestock - Mixed	17,379	20,069	15.5%

Sources: VOA; 2009, 2010

Policy and Regulation Developments

Single Payment Scheme (SPS)

The Rural Payments Agency (RPA) who administer the Single Payment Scheme (SPS), met its March 2010 target of distributing 90% of the total funds to 98,000 farmers in England. Payments made by the RPA began with a flying start made in December 2009 when £1.31bn was paid out to farmers in the first two days but were generally slower than in 2009 when 94% of the fund had been paid out by 31st March 2010. The number of claimants who choose to receive their claims in Euros, increased as they took advantage of the favourable euro: sterling exchange rate.

Campaign for the Farmed Environment (CFE)

Following the removal of compulsory set-aside, the government responded to the environmental lobby to show that the environmental benefits associated with former compulsory set-aside could be captured by farmers without enforcement. Defra, in consultation with the National Farmers Union (NFU) and Country Land and Business Association (CLA) favoured a voluntary approach led by farmers. The alternative would be a requirement for farmers to manage 4-6 per cent of their cultivated land primarily for environmental purposes. The CFE was launched in November 2009 and had three main emphases. Firstly, the 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 by 40,000 ha
- Achieve a total of 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 activities of at least 30,000 ha

At the end of December 2010 there had been an overall increase in the area of key target options in ELS of 16.6% from the July 2009 baseline. The target of achieving 70% of all farmland, (measured as Utilisable Agricultural Area – UAA) in an agri-environment agreement by March 2011 has been exceeded, however, the target of retaining and increasing the area of un-cropped land from the baseline figure was initially exceeded, but fell back when the 2010 June Survey cropped areas were published. This reduction in the un-cropped area reflected higher tillage areas in the expectation of higher grain prices. Progress towards the campaign's target of increasing the area of land managed voluntarily, also lost ground against the 2009 baseline figure. With regard to promoting participation in the campaign by farmers outside agri-environment schemes, the June 2010 target of engaging 20% of those farmers in voluntary measures had been exceeded, and a further 53% of farmers not in an agreement intended to take new or further action, which would contribute to the June 2011 target of engaging 40% of these farmers in the campaign.

Environment

The West Midlands region supports significant proportions of the total England resource of a number of key semi-natural habitats, including:

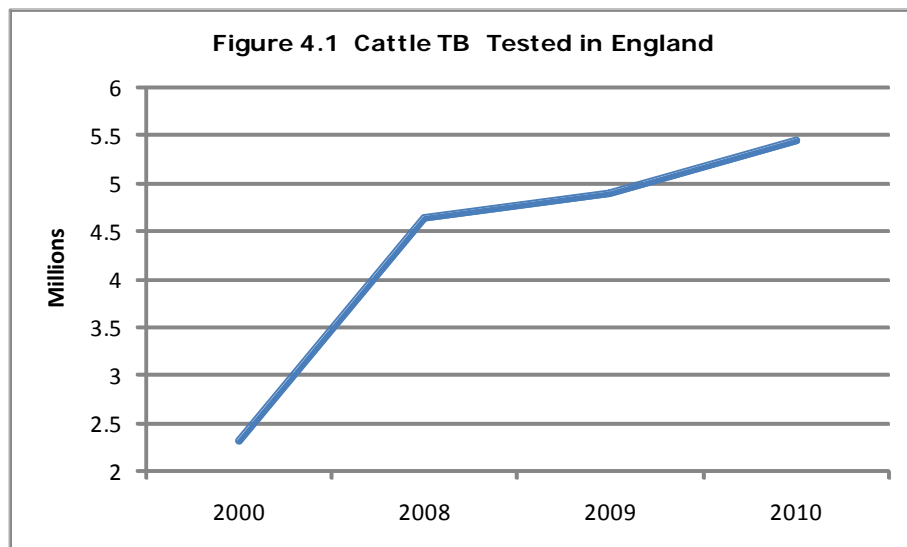
- Lowland meadows (20%)
- Lowland acid grassland (10%)
- Broadleaved woodland (10%)
- Lowland heathland (9%)
- Parkland and wood pasture (9%)

The region also hosts a number of internationally important rivers (the Severn, the Avon, and the Wye), as well as freshwater lakes, peatlands and upland grasslands and heaths. The Environmental Stewardship Scheme was launched in March 2005 to build upon the Environmentally Sensitive Areas (ESA) Scheme and the Countryside Stewardship Scheme (CSS). On 3 July 2006 Defra announced the addition of new management options for Environmental Stewardship. These were, for all tiers: (i) Maintenance of weatherproof traditional farm buildings; (ii) Mixed stocking (extended to LFAs); and for HLS only: (iii) Cattle grazing supplement; and (iv) Native breeds at risk grazing supplement.

Animal disease

Bovine TB is a continuous challenge for primarily the cattle industry but the pig industry is becoming increasingly concerned with the situation after 40 cases were identified in pigs during an 18-month period in 2009/10. The problem of bovine TB is most concentrated in the West Country, Wales, Gloucestershire, Worcestershire, Herefordshire and Shropshire. In December 2011 the government issued a press release noting that the devastating problems caused by bovine TB are to be tackled by a package of measures which include controlled culling of badgers as part of a science-led and carefully managed badger control policy. The policy is expected to be piloted initially in two areas in early autumn 2012.

In 2010 the numbers of cattle reactors in England slaughtered decreased to 24,213 from 24,500 in 2009. Since 2000, cattle testing in England (Figure 4.1) has risen from 2.31 million to 4.99 million annually, during which time testing in the West Midlands has risen three fold, from just over 388,000 to 1.18 million cattle, which represents a quarter of all testing in England.

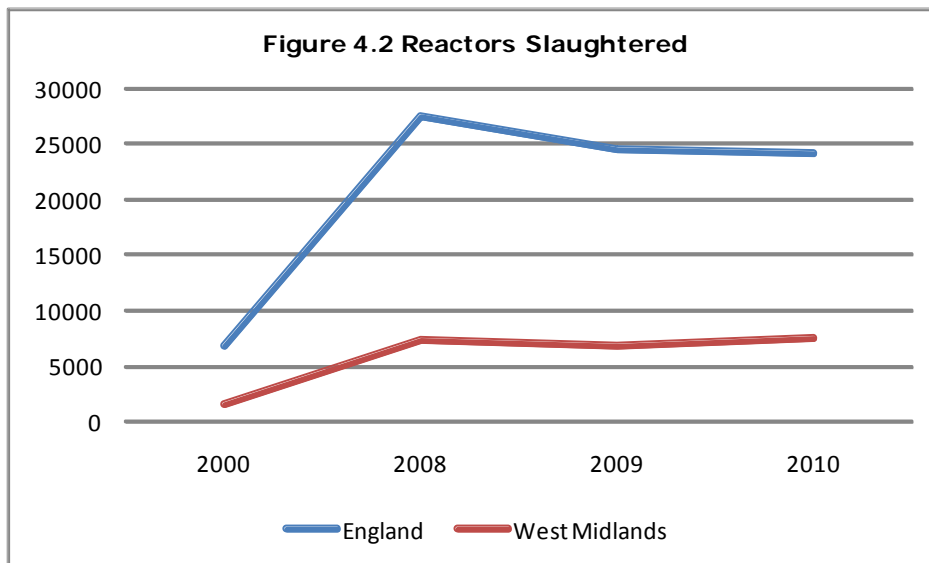


Source:

<http://archive.defra.gov.uk/foodfarm/farmanimal/diseases/atoz/tb/stats/documents/10/2010west.pdf>

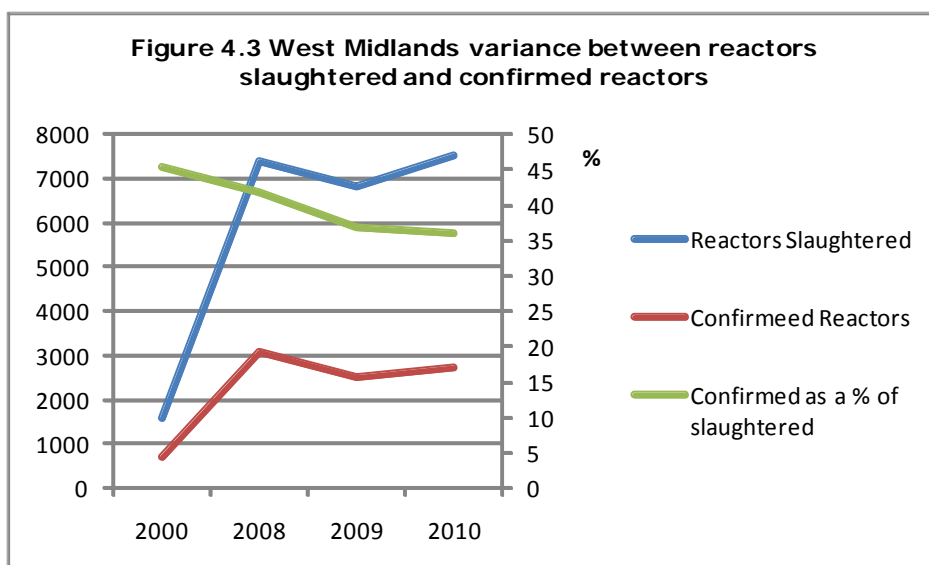
<http://archive.defra.gov.uk/foodfarm/farmanimal/diseases/atoz/tb/stats/documents/10/2010north.pdf>

During the period 2000-2008 the number of reactors slaughtered in the West Midlands increased by 369% from 1,576 in 2000 to 7,391 in 2008. Since 2008, there was a slight reduction in 2009 in the number of cattle slaughtered in the region but 2010 saw a 10.5% increase in the number; the 2010 figure being 380% higher than for 2000. This data is shown graphically against the data for England in Figure 4.2.



Source : <http://archive.defra.gov.uk/foodfarm/farmanimal/diseases/atoz/tb/stats/documents/10/2010west.pdf>
<http://archive.defra.gov.uk/foodfarm/farmanimal/diseases/atoz/tb/stats/documents/10/2010north.pdf>

Of particular concern to farmers is the relationship between reactors that are slaughtered and those which are confirmed. Figure 4.3 shows that while both reactors slaughtered and those which are confirmed follow a similar trend, it also shows that the number of confirmed reactors as a percentage of reactors slaughtered is actually decreasing. Between 2000 and 2008, confirmed reactors as a percentage of those slaughtered decreased from 45% to 42%. Since 2008 the percentage has decreased further to 36%, a worrying statistic for those farmers affected by the scourge of bTB.



Source:
<http://archive.defra.gov.uk/foodfarm/farmanimal/diseases/atoz/tb/stats/documents/10/2010west.pdf>
<http://archive.defra.gov.uk/foodfarm/farmanimal/diseases/atoz/tb/stats/documents/10/2010north.pdf>

The concern over the bluetongue virus has reduced with a large decrease in incidents within Europe since 2009; only 2 incidents of the BTV 8 serotype were reported in 2009 and 2010 in Europe. On the 5th July 2011 Great Britain was officially declared free from Bluetongue after the low risk zones for BTV8 across England, Scotland and Wales were lifted.

The continuing low incidence of BSE and Scrapie has led 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 also re-utilising bone meal in livestock feed. The Food Standards Agency (FSA) in 2011 advised against the lifting of the ban on the use of processed animal protein (PAP) in non ruminant feed a decision which has been challenged by the NFU in a letter to the agriculture minister Jim Paice. The government will now consider the evidence and decide on the UK's position on the proposal to relax the current ban on feeding PAP.

FBS results by farm type

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/>

All farms

In the West Midlands the average farm size in 2010 was 112 ha compared with the average for England of 146 ha. The tillage area recorded was 35% lower than the figure for England reflecting the higher area of permanent pasture (+8%) and greater prevalence of livestock enterprises in the region. An average of 124 livestock units per farm was recorded while the average for the whole of England was 97 units a fact reflected in labour units per farm in the region being higher than the average for England at 2.8 units (England 2.59).

Average Farm Business Income (FBI) in the region was £53,856, while that reported for England was £57,266. In comparison to 2009, FBI in the region was £41,495 (Farm Accounts in England), with FBI seeing an increase of 30% in 2010. Total variable costs expressed as a proportion of £100 of total farm output remained relatively constant between 2009-10 and 2010-11 at £37. Increased costs associated with livestock were offset by inputs associated with crop production being lower in 2010-11. Balance sheet data can be found in table 11 which shows higher land values impacted positively on the region's farm balance sheets in 2010, with an 8.9% increase in the value of total assets. Total liabilities also increased over the year, ending at £144K which represented a 4.1% increase with observations of significant investment during the year.

Cereals

The West Midlands cereal sample size fell below the minimum threshold for publication in 2010 therefore the following commentary relates to the sample for England. The average size of a cereal farm was 187.2 ha in 2010 and the split between tenanted and owner occupied was 35.9% and 64.1% respectively. Total tillage area was 154.8 ha, (including 138.25 ha of combinable crops), 15.39 ha of grass and 5.47 ha of potatoes, sugar beet and other crops which included horticulture. Total labour on these farms was 1.59 labour units, a lower figure than the 2.59 for the all farms group for England.

Farm business income in 2010 was £84,836, up from £41,991 in 2009 (Farm Accounts in England) due to largely to higher output and lower cost of fertiliser. Total farm assets for the England cereal group stood at £1.79M up 9% during the year as a result of an 8%

increase in land values. Machinery and equipment valuation also increased during the year highlighting investment. Farm liabilities increased by 4%, culminating in net worth up 10% on the previous 12 months period.

Dairy

The average size of a dairy farm in the West Midlands was 102 ha, supporting 118 dairy cows and heifers in milk. Farm size and stocking was lower than the average for England which stood at 139 ha with 145 dairy cows and heifers in milk. Labour requirement for dairy in the West Midlands was less at 3 labour units per farm compared with the figure for England of 3.6 units. Arable cropping on these farms at 11.5 ha was lower than the England average of 21.9ha.

Total farm output in 2010 was £332k and FBI was £69,586 which represented an increase of 8% on the figure of £64,534 recorded for 2009. Costs as a proportion of £100 farm output showed some variance between 2009 and 2010 with a marked increase in the cost of purchase and homegrown feed and fodder, up from £24.4 to £26.2 respectively. Overall variable costs (as a proportion of £100 farm output) rose by £1.1 to £41.3. Fixed costs fell by £1.6 to £42.9 per £100 of farm output.

In 2010 a 10% rise in total farm assets was observed with the largest contributing factor being a 12% increase in the value of land and buildings. This increase was higher than that seen in the England sample for which an increase of 8% was recorded. Total liabilities also increased over the year due to an increase in bank overdraft and short term loans. With the rise in value of farm assets exceeding that of liabilities, net worth grew by 9% in 2010.

General Cropping

The average farm size in the West Midlands was 128 ha and grass accounted for just 14.4 ha. Arable cropping accounted for 75 ha with a further 21.4 ha down to potatoes, a figure significantly higher than the England sample (14.3 ha), reflecting the prevalence of vegetable [including potato] growers in the region. Total livestock units on these farms were 21, while for the England sample there were 15 units per farm. Labour use per 100 ha of land was considerably higher at 3.5 labour units than for the England sample of 1.5 units per 100 ha of land.

Farm profitability in 2010 was much improved on the previous year with FBI of £121,139, up 102%. Of particular note was the £7.3 fall in variable costs as a proportion of £100 of farm output, with fertiliser and crop protection costs down £1.9 and £1.7 respectively by this measure; an observed fall of £4.2 per £100 of farm output is thought to be mainly due mainly to the change in the composition of the sample between the two years.

The balance sheet for general cropping farms ended the year with a net worth of £999.8k, up 15%. Increased land values of 11% and lower external liabilities were the main reasons for the improvement. The decrease in liabilities was mainly due to reductions of 11% and 15% to bank term loans and other short term loans, which collectively led to a decrease in external liabilities of 8%. The decrease in external liabilities and the double digit growth in net worth for farms in the region was not reflected in the England sample, where net worth increased by only 7%.

LFA Grazing Livestock

The average area of the LFA farms in the West Midlands was 101 ha, a lower figure than the England average of 149 ha. The owner occupied area in the region was 71.3 ha in comparison to the average for England of 48.5 ha. Tillage area was higher in the region at 6.1 ha than for England at 2.3 ha. The area of permanent pasture accounted for 93% of grass which was broadly in line with the average for England. Stocking levels in the region was 97 livestock units per farm, in comparison to 104 units for England.

Farm business Income in 2010 was down from £19,309 in 2009 to £15,849 (Farm Accounts in England). The decrease in FBI could be attributed to an increase of £6.30 per £100 of farm output with increased cost of £3.70 for home grown feed costs reflecting both the high value of home grown grain in 2010 and the long hard winter of 2010/11. Although the farm overheads share of farm output increased by £1.1 per £100 in 2010 there was a notable increase in the labour share, up £3.1, to 8.5 per £100 of farm output, but was offset by the proportion taken up by contracting falling from £5.6 to £3.4.

At the end of 2010 the farm balance sheet on these farm had on average seen a 11.6% increase to total farm assets, up from £787k to £879k with most of the asset value increase attributed to higher land values. Total liabilities rose by 66% over the year indicating an upward trend in investment at a time of low interest rates. Net worth ended the year 8.5% higher than in 2009 at £886k, this increase was also seen in the England sample, though at a lower rate of 5.9%.

Lowland Grazing Livestock

The average size of lowland grazing farms in the West Midlands was 106.7 ha a slightly lower figure than the England average of 111 ha. Grass accounted for 83.7 ha with 81% of that being permanent pasture, a figure very similar to the England average of 80% in 2010. Tillage areas accounted for 18.57 ha a much higher figure than that of the England sample with just 11.77 ha cropped. Stocking was also higher than the average for England with 125 units per farm in comparison to 105 units for England. Stocking in the region was made up of 151 head of beef cows and other cattle, and 376 ewes and other sheep. Labour use was also higher in the region than the England sample and this was attributed to larger farm size and higher cropping and stocking than that of the England sample.

The lowland grazing livestock farm type saw its FBI reduced in 2010 from £24,370 (Farm Accounts in England) in 2009 to £17,927. The fall in profitability can be mainly attributed to rising costs with the variable costs share of output up by £5.9 per £100 of farm output and fixed costs, up by £2.2. As with the LFA farms there was a sharp upward movement for home grown feed costs [+£3.3 per £100 output] and other livestock costs [+£1.1 per £100 output].

Total farm assets increased by 11% with rising land value increases again being the largest contributing factor. Machinery and equipment valuation increased by 10% following higher investment in 2010. Total external liabilities fell from £60,816 to £58,152, a feature not observed in the England sample. The reduction in liabilities was mainly attributable to lower non-bank loans and HP loans. Net worth ended the year up 10%; up 6% for the England sample.

Mixed Farms

Mixed farms in the West Midlands averaged 173 ha, 8% higher than that of the England sample which averaged 160 ha. Tillage areas accounted for 75.89 ha and grass accounted for 88.0 ha of which 75% was permanent grass and 25% was temporary leys. The area of permanent grass in the region was higher than that of the England sample. Cropping was mainly winter and spring combinable crops while potatoes averaged 3.91 ha. Stocking in the region showed higher cattle numbers and slightly higher sheep number than the England sample (25% and 33% respectively), fewer pigs (-50%) and significantly higher poultry numbers (175% higher). Labour use in the region was higher than that of the England sample at 2.78 labour units per holding in comparison to 2.61 units for England.

Profitability on these farms showed a considerable increase in 2010 with FBI at £46,417, an increase of 66% on the 2009 figure of £28,022. The growth in output was the main reason for the positive turnaround with much improved returns from combinable and cash crops. Other factors included tight control of variable costs and trimming of fixed costs with the share of the former as a proportion of £100 of farm output up by only £1.4 and the share of the latter down £4.2. Among the variable costs there was a significant increase of £4.6 per £100 of output for purchased concentrate feed and fodder that was

largely offset by reductions to the cost of fertiliser and crop protection. Whilst for fixed costs the share per £100 of output for contracting and land and buildings fell by £1.4 and £1.5 respectively.

The balance sheet for mixed farms in the region saw a 9% increase to total fixed assets, which again was mainly attributed to an 11% increase in land values. Current assets also increased across the year with a 4% increase in crops and trading livestock values and a 20% increase in the value of feedstuffs and goods in store. Liabilities rose during 2010 by 13% due to increased levels of bank term loans and HP agreements, which indicated higher investment than normal during the year.

Horticulture

The average size of FBS horticulture businesses in the West Midlands sample was 32 ha, much less than the average of 45.1 ha for the England sample. Tenure status of these businesses was 29% tenanted and 71% owner occupied. In line with the smaller land area of these businesses, average areas of horticulture crops was lower than for the England sample, with the exception of top fruit, where the average area on each farm was 10.7 ha against the England average of 5.1 ha. Annual labour use was also higher in the region at 9.6 units per holding in comparison to 3.8 for England.

FBI increased markedly in 2010 to £106,252, up £26,576 (+33%) from 2009 (Farm Accounts in England).

Balance sheets showed rising farm assets, up by 6% as a result of a £36K increase in the value of land and buildings (+7%). Improved business productivity led to healthy improvements to current assets, which grew by 11%. Liabilities decreased by 7% as HP finance and bank overdraft levels fell compared with 2009, leading to a 10% increase in net worth.

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. 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 year¹. 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 continue². 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 Cup³.

Overall, producers faced higher production costs as between June and December 2010, British weaner prices dropped by 24 per cent⁴. 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 costs⁵.

¹ Farmers Weekly 28 April 2011

² Farmers Weekly 6 April 2011

³ FoodEast, www.foodeast.com November 2010

⁴ Farmers Weekly 1 December 2010

⁵ Farmers Weekly 24 August 2010

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 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)

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 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; 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 Romania⁶. 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 producers⁷.

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 cost⁸.

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 production⁹. 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 2012¹⁰. Proposals to delay the cage ban were eventually overturned in Brussels in March 2011¹¹.

⁶ AHVLA GB Emerging Threats Report, Avian Diseases, Vol15, No1, Jan – Mar 2011

⁷ Farmers Weekly Interactive, www.fwi.co.uk 23 November 2010

⁸ The poultry site, www.thepoultrysite.com, UK egg statistics, 1st, 2nd, 3rd and 4th quarter 2010

⁹ Farmers Weekly Interactive, www.fwi.co.uk 8 November 2010

¹⁰ Eastern Daily Press, www.edp24.co.uk 2 October 2010

¹¹ FoodEast, www.foodeast.com March 2011

Furthermore, concerns over imports of cage eggs through processed products still remain¹². 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 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 issues¹³.

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 birds¹⁴. 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 contracts¹⁵. Egg producers, also facing higher feed costs, similarly raised egg prices¹⁶.

Poor weather and the recession were the likely reasons for a reduction in demand for Christmas turkeys in 2010 according to the Anglian Turkey Association¹⁷.

The year saw considerable investment in poultry buildings¹⁸. 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.

¹² Farmers Weekly Interactive, www.fwi.co.uk, 30th November 2011

¹³ The poultry site, www.thepoultrysite.com, 17th November 2011

¹⁴ GB Emerging Threats Report, avian diseases, Vol 14, No 3, Jul-Sept 2010

¹⁵ Farmers Weekly Interactive, www.fwi.co.uk, 23rd November 2011

¹⁶ Farmers Weekly Interactive, www.fwi.co.uk 3 November 2010

¹⁷ Farmers Weekly Interactive, www.fwi.co.uk 5 January 2011

¹⁸ Farmers Weekly Interactive, www.fwi.co.uk 13 January 2011