

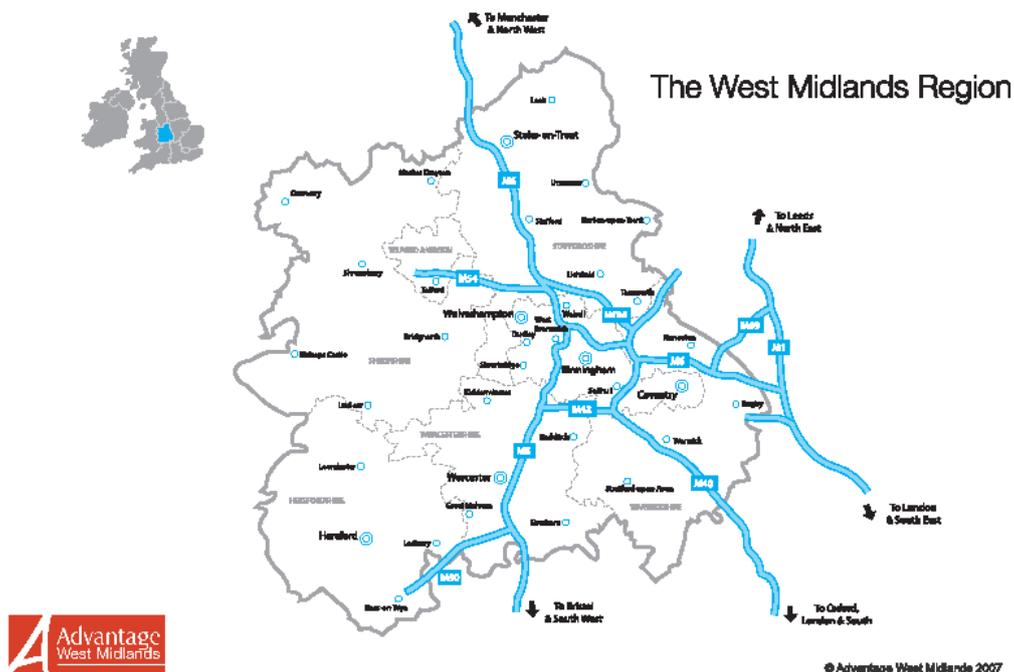
West Midlands Region Commentary 2011/2012

This report includes data collected from the Farm Business Survey for the 2011 to 2012 financial year, relating to the 2011 crop harvest.

The Farm Business Survey is conducted on behalf of, and financed by the Department for Environment, Food and Rural Affairs, and the data collected in it are Crown Copyright.

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 5.6 million people (9.1% 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, Tarmac, GKN, JCB and Wedgwood.

Table 1 – employment by industry sector in the West Midlands-September 2012

	Employee Jobs	Proportion %
Agriculture, Forestry and Fishing	37,000	1.4
Mining, Energy and Water	35,000	1.3
Manufacturing	295,000	11.1
Construction	164,000	6.2
Distribution, Finance and Business Services	1,063,000	40.1
Education, health, public admin & other Services	701,000	26.4
Other	357,000	13.4
TOTAL	2,652,000	100.0

Source: Employment by industry sector in the West Midlands – accessed 28-11-12

<https://www.nomisweb.co.uk/reports/lmp/gor/2013265925/report.aspx>

There are 2,713,000 economically active and 808,000 economically inactive people in the Region.

Employment in agriculture and the related sectors represent 1.4% of the total employment in the region, with over three quarters engaged in distribution, finance and business services and, education, health, public administration & other services.

The unemployment rate in the West Midland followed a similar pattern to the UK during 2011, but at a higher rate. The unemployment rate in the West Midlands fell during the first half of the 2011 from 9.5% in January to 8.8% at July. This decline, however, did not continue in the second half of the year as the rate increased throughout the remaining months to 9.2% in December. During the same period the UK unemployment rate increased from 7.8% at the beginning of the year to 8.3% in July 2011 before increasing to 8.4% in December.

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 services and work difficult to access.

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 ha of Sites of Special Scientific Interest (SSSI). However, these areas of AONB, NP, SA and SSSI are the smallest in England.

Farming in the West Midlands Region

The 13,689 businesses 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 2011/12 FBS year in the West Midlands region

Weather

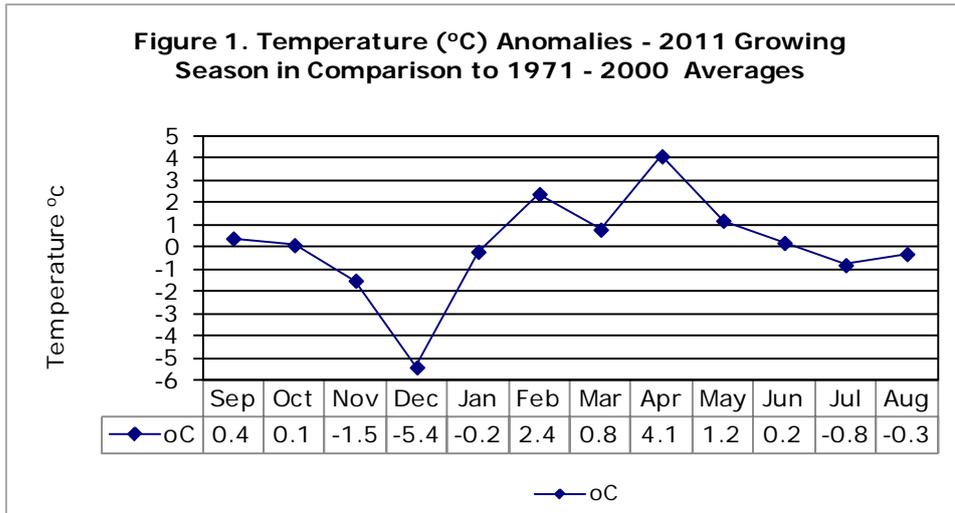
The 2011/12 FBS year in the West Midlands region

The autumn of 2010 was relatively mild and dry leading to acceptable conditions at the time of autumn cultivations. The dry conditions continued through the whole of the autumn with just 73%, 88%, and 97% of average rainfall recorded in the months of September to November. Temperatures although mild were generally below the seasonal average but not by a great extent, November however saw a cold northerly flow develop and mean temperatures were typically 1.5°C to 2.0°C lower than average for the time of year. November was noted as the coldest since 1993.

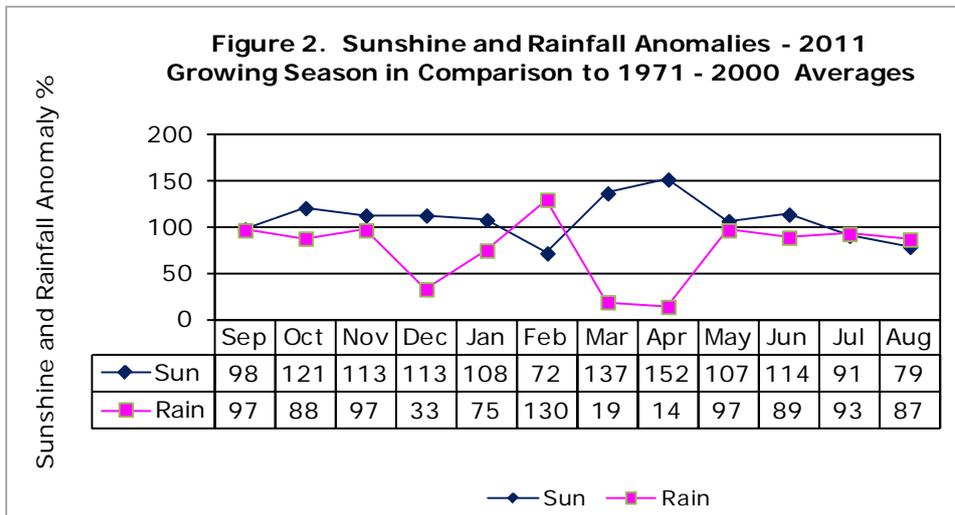
The winter months of December through to February proved to be a period that set records for the region. Of particular note were the extremely low temperatures noted in December. A mean temperature of -0.9°C was recorded in the West Midlands in December, some 5.4°C lower than average for this time of year; coldest December in 100 years. Extreme lows were noted and on the night of the 19th, -19.6°C was recorded at Shawbury, Shropshire and on the 20th -18.7°C was recorded at Pershore, Worcestershire. Temperatures however increased as the winter progressed with mean temperatures of 3.4°C and 6.1°C being recorded in the months of January and February respectively. An unseasonal high of 14.5°C was recorded at Pershore on the 13th of the month. Sunshine hours and rainfall through the winter correlated closely to temperature recorded, with higher sunshine hours and lower rainfall noted during periods of extremely low temperatures, preceding to above average rainfall, lower sunshine hours and higher temperatures in the month of February.

The progression from winter into spring saw settled weather. March proved to be the driest March for 50 years and very little rain fell, apart from in the last two days. The spring was characterised by high pressure and the associated sunny dry weather. In line with this, sunshine hours in the months of March to May were 37%, 52% and 7% higher than average for the time of year. Mean temperatures were also above average and the rainfall recorded in the months of March and April was just 19% and 14% of the average for the months. Mean temperatures were 4°C above the 1971-2000 average and it was the warmest April for 350 years. May however saw a change in the predominant weather pattern with westerly air streams bringing plenty of cloud. The dry conditions recorded in the spring of 2011 gave cause for concern, and although conditions were good at the time of spring cultivations, the onset of drought raised concerns for the germination of cereals and their subsequent establishment.

Summer 2011 saw the drought of spring continue, and rainfall figures remained below average by 11%, 7% and 13% from June to August. The month of June saw above average sunshine hours at +14%, while temperature was only slightly above average. July and August however saw lower temperatures and sunshine hours, temperatures were 0.8°C and 0.3°C lower than average in July and August while sunshine hours were considerably lower than normal for the time of year.



Source <http://www.metoffice.gov.uk/climate/uk/2010>
<http://www.metoffice.gov.uk/climate/uk/2011>



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Economic Background

Prices of agricultural commodities rose considerably in 2011 following a moderate increase in 2010. Of particular note was the increase in the price received for cereals, which increased by over 40%. Linked with the higher prices received for cereals, crops for industrial purposes and forage crops increased by 24% and 18% respectively. Prices paid for fresh vegetables, excluding potatoes decreased by 9% while potatoes increased by 7%. Market prices for fresh fruit saw only a 2% increase on 2010 while flowers and plants saw a 10% increase which followed a 21% increase in the previous year. Prices paid for livestock and livestock products increased on 2010, with livestock for slaughter and export increasing by 9% and milk price increasing by 11%. The value of the wool clip continued to increase in 2011, with a 22% increase which followed a 112% increase in 2010, making the sale of wool more economically viable than it had been since the mid 2000's.

General inflation, as measured by the Consumer Price Index (CPI), fell from 4.5% in April 2011 to 3.5% in March 2012. A contributing factor to the fall in 2012 was the CPI being a full 12 months forward of the VAT Rise in January 2011 and additionally downward pressure from fuels & lubricants, products bought in restaurants & cafes, tobacco, vehicle maintenance & repair, the purchase of new vehicles and alcoholic beverages.

<http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/december-2011/index.html>
<http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/october-2012/index.html>
http://www.ons.gov.uk/ons/dcp171778_255287.pdf

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

Crop Products	2007	2008	2009	2010	2011
Cereals	166.7	207.1	150.1	172.4	245.7
Industrial crops	112.0	159.9	139.1	146.8	181.9
Forage Crops	128.6	145.6	147.7	181.5	214.2
Fresh Vegetables	122.1	117.5	113.9	131.9	119.7
Potatoes	146.7	154.3	123.4	141.2	151.1
Fresh Fruit	107.4	126.4	124.6	129.6	132.2
Seeds	118.3	126.4	126.4	126.4	126.4
Flowers & Plants	111.0	120.2	124.9	151.2	165.9
Other Crop Products	113.3	119.4	119.5	119.9	120.4
Livestock & livestock products					
Livestock for Slaughter & export	105.5	133.2	146.0	146.2	159.7
Milk	112.2	140.4	128.4	133.5	148.1
Eggs	118.3	140.4	144.7	137.8	137.9
Wool Clip	77.7	71.0	103.2	219.4	266.7

Source: DEFRA, Agri Price Index
<http://www.defra.gov.uk/statistics/foodfarm/farmgate/agripriceindex/>

Input prices rose considerably in 2011. With regard to cropping the largest increase noted was the 25.7% increase in the cost of fertilisers. Seeds costs increased by 7.7% while plant protection costs remained relatively stable. Animal feedstuffs saw the second largest cost increase, increasing by 21.1% while veterinary costs increased by 1.6%. Other cost increases of significance were the cost of energy and lubricants which increased by 16.6% and general expenses which increased by 3.2%.

The contribution of funds to agricultural investment, see table 3, remained relatively constant with just modest increases seen. Investment in buildings increased by 5.8% while investment in machinery and other equipment increased by 1.7%, excluding that in vans and lorries which decreased only marginally.

Table 3 – Price index of agricultural inputs (2005=100)

	2007	2008	2009	2010	2011
Goods and services currently consumed in agriculture	115.7	145.8	133.0	139.1	157.1
Animal feedingstuffs	129.7	167.3	152.5	161.0	194.9
Seeds	104.3	111.6	112.1	110.3	118.8
Fertilisers and soil improvers	119.8	272.5	189.8	182.4	229.3
Plant protection products	104.2	106.4	108.5	105.6	105.4
Maintenance and repair of plant	109.9	116.3	121.5	126.9	133.1
Energy and lubricants	117.9	158.2	130.4	147.1	171.5
Maintenance and repair of buildings	114.1	122.3	122.0	130.1	139.7
Veterinary services	108.4	104.0	104.7	118.8	120.7
Other Goods & Services (General expenses)	108.2	113.5	115.4	123.3	127.2
Contribution to agricultural investment					
Machinery and other equipment	110.3	117.5	122.1	124.0	126.1
Vans & Lorries	101.4	105.1	114.5	119.4	118.8
Buildings	113.0	120.3	120.6	126.7	134.1
Engineering & Soil Improvements	107.3	112.1	118.2	119.8	121.8

Source: DEFRA, Agri Price Index

<http://www.defra.gov.uk/statistics/foodfarm/farmgate/agripriceindex/>

A Defra review was carried out in 2009, in consultation with other 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 2010.

Average Full Agricultural Tenancies (FAT) rents in England increased by an average of 9% between 2009 and 2010. The rate of increase varied by farm type with the largest increases being seen across dairy, general cropping and cereals which increased by 16%, 13%, and 12% respectively. FAT rents for LFA cattle and sheep farms also increased by 19% or £11 a hectare from £52 a hectare to £62. Lowland cattle and sheep farms at the other end of the range increased by 6%, from £131 a hectare to £139. Regionally FAT's were £21 a hectare higher than the average in England at £173 a hectare (England £152).

The average rent for Farm Business Tenancies (FBT) remained stable in 2010 at £162 a hectare on average, but between farm types there was variance, with FBT's for general cropping farms increasing on average by 11% while FBT's for Cattle and Sheep LFA decreased by 3%. FBT's in the region were £34 higher than the average for England at £196 a hectare, (England £162). Seasonal agreements proved to be considerably more expensive in 2010, and an increase of 25% was seen taking the figure from £99 a hectare to £124, the increase following a 7% decrease in the previous year.

Policy and Regulation Developments

Single Payment Scheme (SPS)

The rural payments Agency (RPA) paid out £1.2 billion to 84,600 English farmers on the opening day of the 2011 Single Payment Scheme payment window, which represented 80.8 per cent of eligible claimants. This represented good performance and surpassed that seen in the opening days of the previous year. The RPA then went on to meet its second target three weeks ahead of schedule after it paid out 95.4% of the fund to 96% of claimants by the 5th of March.

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

In May 2012, DEFRA published the results of the third annual CFE monitoring survey. The survey had a response rate of 70%, an increase of 3% on the previous year. In total 209,000 ha were recorded with voluntary measures, an increase of 11% from 2011. The survey also noted improvement in attitudes towards the campaign, 69% of respondents supported the aims of the campaign and 63% supported the approach used. Despite these improvements, there were some areas where progress had been lost. The proportion of farmers indicating that they had left cultivatable land out of production, fell to 37% in the 2011/12 crop year, a reduction to 82,000 ha from 130,000 in 2010/11

Environment

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

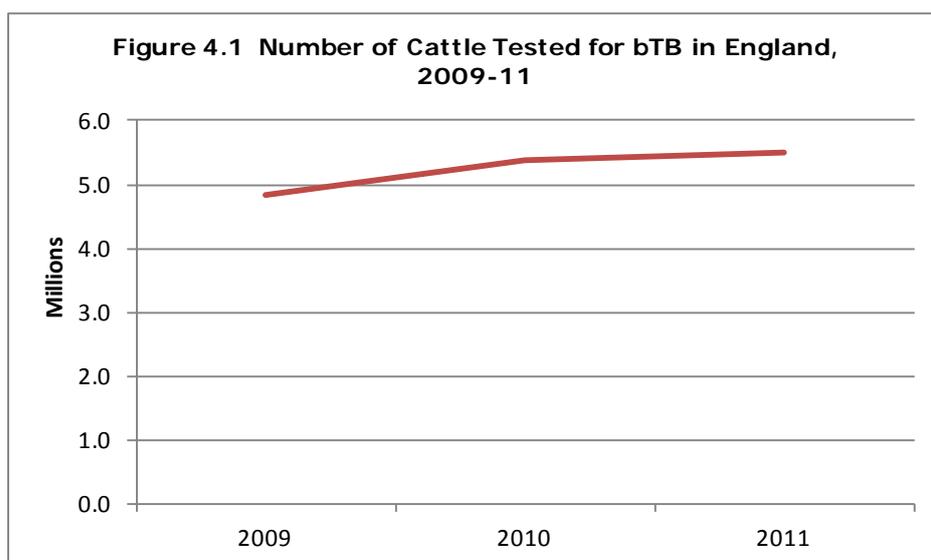
- Lowland meadows (20%)
- Lowland acid grassland (10%)
- Broadleaved woodland (10%)
- Lowland heathland (9%)
- Parkland and wood pasture (9%)

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 (ESS) 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 the cattle industry. 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 were 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.

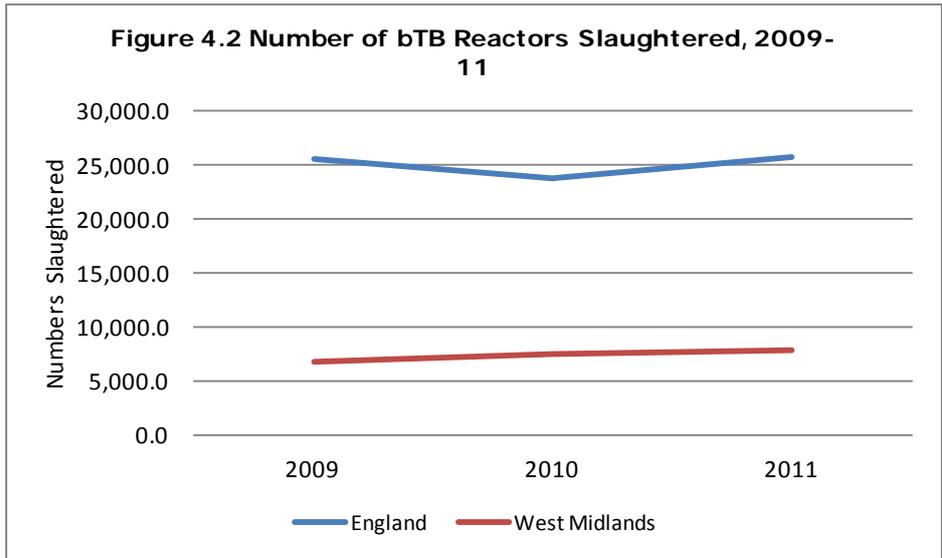
In 2011 the numbers of cattle reactors in England slaughtered increased to 25,809 from 23,895 in 2010. Since 2009, cattle testing in England (Figure 4.1) has risen from 4.83 million to 5.49 million annually, during which time testing in the West Midlands has risen, from just over 1.16 million to 1.24 million cattle, which represents close to a quarter of all testing in England.



Source:

<http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-landuselivestock-tb-regional2012-121114.xls>

During the period 2009-2011 the number of reactors slaughtered in the West Midlands increased by 15% from 6,926 in 2009 to 7,945 in 2011. During the same period the number of reactors slaughtered in England increased by around 1% from 25,539 to 25,809.



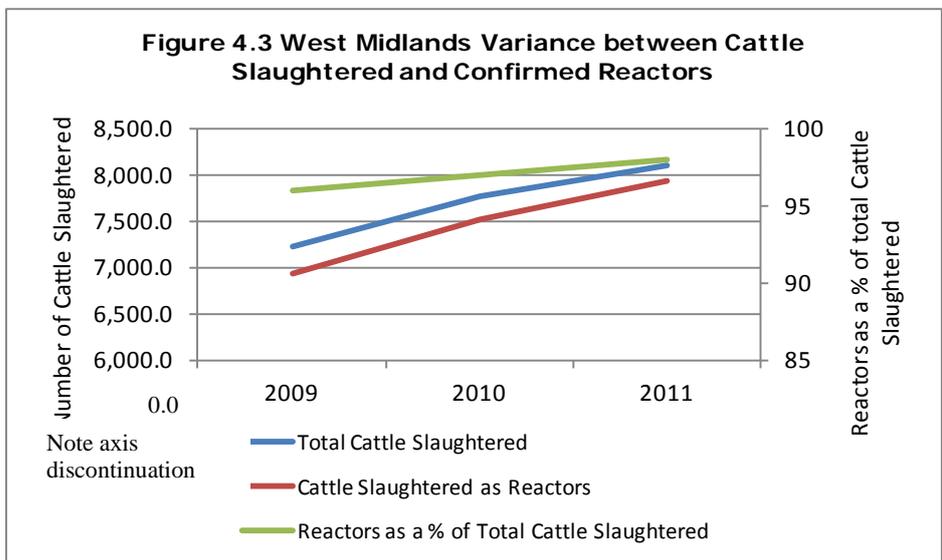
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<http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-landuselivestock-tb-regional-west-121114.xls>

<http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-landuselivestock-tb-regional-north-121114.xls>

Figure 4.3 shows that while both total cattle slaughtered and those which are confirmed reactors follow a similar trend, it also shows that the number of confirmed reactors as a percentage of reactors slaughtered due to bTB is increasing. Between 2009 and 2011, confirmed reactors as a percentage of total cattle slaughtered increased from 96% to 98%.



Source:

<http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-landuselivestock-tb-regional2012-121114.xls>

<http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-landuselivestock-tb-regional-west-121114.xls>

<http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-landuselivestock-tb-regional-north-121114.xls>

Bluetongue Disease: 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.

Schmallenberg virus: Identified in November 2011, the symptoms of the disease were first reported between August and October in both the Netherlands and Germany. The disease was first reported in the UK in January 2012, following identification in Norfolk, Suffolk and East Sussex. At 31st March 2012 no cases had been reported in the West Midlands, with southern counties seen as being at highest risk.

FBS results by farm type

All farms

In the West Midlands the average farm size in 2011 was 124ha compared with the average for England of 148 ha. The tillage area recorded was 25% lower than the figure for England reflecting the higher area of permanent pasture (+6%) and a greater prevalence of livestock enterprises in the region. An average of 110 livestock units per farm was recorded while the average for the whole of England was 92 units, a fact reflected in labour units per farm in the region being higher than the average for England at 2.7 units (England 2.5).

Average Farm Business Income (FBI) in the region was £67,708, while that reported for England was £65,768. In comparison to 2010, FBI in the region was £53,856, with FBI seeing an increase of 20% in 2011. Total variable costs for the region increased by 10% in 2011 in comparison to a 3.9% rise for the all farms England sample. The most significant cost increases were cost of feed and fodder and fertiliser costs which increased by 8.6% and 24% respectively. Total fixed costs for the region increased by 7% while the England all farms group increased by 4.5%. The largest contributing factors were increases in the cost of fuel & oil and land and building inputs.

Balance sheet data can be found in table 11 and shows higher land values impacted positively on the region's farm balance sheets in 2011, with a 12.0% increase in the value of total assets. Total liabilities also increased over the year, ending at £173K per farm which represented a 4.1% increase with observations of significant investment during the year.

Cereals

The average size of a farm in this group was 171.4 ha, while the England average was 189.5 ha. The split between tenanted area and owner occupied in the West Midlands was 61% / 39% which differed considerably to the England average of 38% / 62% showing the greater prevalence of tenanted cereal farms in the West Midlands. Of the 140 ha of tillages in the West Midlands, the most common cereal grown was winter wheat at 80 ha per farm, a higher figure than the England average of 72 ha. The increased area of wheat proved to be in favour of winter barley, where only 1.45 ha per farm was grown, (England 8.94 ha). Total livestock units per farm stood at 10.3 units for the West Midlands and 12.3 units for England, with the midlands having higher sheep and poultry numbers than the England sample (55 V's 53 and 40 V's 2.1 for sheep and poultry).

Total farm output increased by 20.2% in 2011, with 65% of income coming from crop output, a figure 10% higher than in 2010. Total variable costs increased by £20,906 or 31%, with the most significant contributor to the rise being a £9k rise in the cost of fertilisers and £5K rise in the cost of crop protection. During the same period fixed costs increased by £20.5K, with an additional £8K on the labour bill, 50% higher fuel and oil costs and increased depreciation charges. In terms of profitability, FBI was 31% higher than 2010 at £98,892 while the England sample showed a £9,777 rise in FBI or 10.3% increase.

Total farm assets for the region stood at £1.34M, an increase of 16%. The majority of this increase being due to improved land values. Total external liabilities were £207K, an increase of some 1% from £205K in 2010, this increase being due to an increase in bank term loans and a significant reduction in bank overdrafts.

Dairy

The average size of a dairy farm in the West Midlands was 112 ha, supporting 128 dairy cows and heifers in milk. Farm size and stocking was lower than the average for England which stood at 143 ha with 148 dairy cows and heifers in milk. Labour requirement for dairy in the West Midlands was lower at 3.4 labour units per farm compared with 3.7 units for England. Arable cropping in the dairy group was 12.3ha was lower than the England average of 21.6 ha.

Total farm output in 2011 was £403k and FBI was £87,016 which represented an increase of 20% on the figure of £69,586 recorded for 2010. In 2011 variable costs increased by 23% from £133K to £172K, with the bulk of the £39k increase coming from a £29K increase in the cost of purchased feed. Other significant costs increases noted were the £4K / 15% increase, in the cost of vet and medicines. No cost decreases were noted within the dairy variable costs. During the same period, fixed costs increased by 15.6% or £25.5K. As with the all farms average for the region the largest part of the increase could be attributed to increased labour costs and land and building inputs. These trends were mirrored in the England sample, as can be seen in table 15, where the largest variable cost increase in the dairy group was purchased feed and increased labour costs, +7.8%, within fixed costs.

Dairy Balance sheet: In 2011 a 10% rise in total farm assets was observed with the largest contributing factor being a 10% increase in the value of land and buildings. This increase was higher than that seen in the England sample for which an increase of 9% was recorded. Total liabilities for the region decreased in 2011, falling by £5.3K or 2%. This decrease could mainly be attributed to the reduction of the farm overdraft, following what had been a more profitable year for dairy farmers in the West Midlands sample. These balance sheet movements differed somewhat from the England sample where total liabilities increased by £7.4K, as a result of an increase in bank and other loans. Both the West Midlands and England sample saw an increase in net worth, 13% and 11% respectively.

General Cropping

The average farm size in the West Midlands was 160 ha and grass accounted for just 18.13 ha. Arable cropping accounted for 104 ha with a further 20.3 ha down to potatoes, a figure significantly higher than the England sample (14 ha), reflecting the prevalence of vegetable [including potato] growers in the region. Total livestock units on these farms were 23, while for the England sample there were 18 units per farm. Labour use per 100 ha of land was considerably higher at 2.8 labour units, while the England sample made use of 1.45 units, per 100 ha of land.

Farm profitability in 2011 decreased slightly on the previous year with a FBI of £122,157, down 2% on 2010. Of note was a 12% increase in variable costs which was the result of a 25% increase in the cost of fertiliser and a 29% increase in the cost of crop protection. A slight decrease was noted in the cost of seed but this was by no means significant in light of the large cost increases. During the same period fixed costs increased by 16.9% or £40.5K. This steep increase was a result of substantial increases to all fixed costs, with the exception of contract charges, which can be seen in table 15. Of most significance, and adding £11k to total costs, was the labour bill which increased by 14.9%. Land and buildings costs were the next most significant cost increase and these trends were also mirrored in the England sample where a 9.9% increase was noted for land and buildings and a 10.2% increase for labour.

The balance sheet for general cropping farms ended the year with a net worth of £1.7M, up 11% on 2010. Total assets increased by 10% with the majority of the increase coming

from the 12% increase in the value of land and buildings. Machinery and equipment valuation increased by 8% suggesting some investment in new equipment during the year. Liabilities increased by 3%, a figure broadly in line with the 4% increase seen with the England sample. This increase could mainly be attributed to an increase in bank term loan and a reduction in the farm overdraft.

LFA Grazing Livestock

The average area of the LFA farms in the West Midlands was 106 ha, a lower figure than the England average of 137 ha. The owner occupied area in the region was 72.6 ha in comparison to the average for England of 49.2 ha. Tillage area was higher in the region at 8.6 ha with England at 2.2 ha. The area of permanent pasture accounted for 91% of grass which was broadly in line with the average for England. Stocking levels in the region were 95 livestock units per farm, in comparison to 94 units for England.

FBI for the regional LFA grazing livestock group ended the year up £11,990 or 43% on last year's FBI of £15,850, this increase could mainly be attributed to a 28% increase in cattle output in line with better market prices. Variable costs increased by £7K, the most significant of which was a 43% rise in total purchased feeds in line with feed requirement and increased prices. Other livestock costs and fertiliser costs also increased considerably, +22% and +27% respectively. Fixed costs rose considerably too for the LFA group and of particular note was the £2.8K increase in the average labour cost and £2K increased land and buildings input costs. The net effect of these changes of increased farm output outpacing costs was an improved FBI.

Total farm assets for the LFA group increased by 10.4% in 2011, with the increase being due to the 12% increase in land values and a 12% increase in the value of breeding livestock. Total external liabilities increased by a considerable 15% in the year, despite a decrease in the farm overdraft. Farm net worth ended up 10% on the previous year at £1.0M while the net worth of LFA farms in the England sample increased by +8.7% to £726K.

Lowland Grazing Livestock

The average size of lowland grazing farms in the West Midlands was 91.3 ha a slightly lower figure than the England average of 107 ha. Grass accounted for 70.6 ha with 81% of that being permanent pasture, a figure very similar to the England average of 80% in 2010. Tillage areas accounted for 9.38 ha a lower figure than that of the England sample with 10.65 ha cropped. Stocking was also lower than the average for England with 88 units per farm in comparison to 95 units for England. Stocking in the region was made up of 95 head of beef cows and other cattle and 375 ewes and other sheep. Labour use in the region was identical to the England sample at 1.57 units per farm but given the smaller farm size, this meant labour per 100 ha for the region was 1.72 units per 100 ha, while England recorded an average of 1.47 units.

In 2011, the lowland grazing livestock group saw a reduction in total farm output from £124K to £108K mainly due to reduced output from cropping and lower forage stocks at the year end. Despite this and due to the following cost movements, FBI increased by 30.7%, from £17,927 to £25,869, an increase in percentage terms broadly similar to that seen for the England sample, +33.4%. Interestingly, the lowland grazing livestock were one of the few groups to show a reduction in both variable and fixed costs. Of note and of most significance was a 26% reduction in the cost of purchased feeds. This trend was also mirrored in the England sample, where purchased feed costs reduced by 13%. As can be seen in table 15, all variable costs for this group decreased. The fixed costs for this group decreased by 22%, from £74K to £61K. This reduction was due to cost savings across all fixed costs, of note were the reduced depreciation charges, lower land and building input costs and labour costs which together reduced these costs by £8.8K.

Total farm assets increased by 12% with rising land value increases again being the largest contributing factor. Machinery and equipment valuation increased by just 4%

following higher investment in 2011, +10%. Total external liabilities increased from £44,941 to £49,803, a figure similar to that observed in the England sample, see table 11. The increase in liabilities was mainly attributable to higher bank term loans and HP loans. Net worth ended the year up 12%; up 9% for the England sample.

Mixed Farms

Mixed farms in the West Midlands averaged 207 ha, 23% higher than that of the England sample which averaged 167 ha. Tillage areas accounted for 92.5 ha and grass accounted for 98 ha of which 76% was permanent grass and 24% 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 3.7 ha. Stocking in the region showed higher cattle numbers, higher sheep number than the England sample (51% and 54% respectively), fewer pigs (-66%) and significantly higher poultry numbers (162% higher). Labour use in the region was higher than that of the England sample at 3.09 labour units per holding in comparison to 2.46 units, or when expressed per 100 ha of land, 1.49 units for the region in comparison to 1.47 for England.

Profitability on these farms showed a considerable increase in 2011 with FBI at £76,939, an increase of 40% on the 2010 figure of £46,416. The growth in output was the main reason for the positive turnaround, with much improved returns from rearing and fattening of cattle, winter wheat production and oilseed rape. During this period variable costs increased by 18% or £25K. The most significant contributors to these increases were the 46% increase in fertilisers and the 32% rise in the cost of purchased feed and fodder. Fixed costs during the same period increased by a considerable 16.5% or £29,504. This increase was due to cost increases across all cost centres but the most significant increases were due to land and buildings inputs (+13.9% or +£7,210), labour (+16% or +£6,025), fuel and oil (+36% or +£5,462) and depreciation charges (+ 20.9% or +£5,251)

Mixed farms balance sheets saw a 14% increase in the value of total fixed assets; this again could mainly be attributed to the 14% increase in land values. The increases in the value of machinery and Equipment, +12%, suggested that there had been considerable investment during the year. The value of breeding livestock also showed a considerable increase on the previous year showing an increase not just in the value of stock but in the numbers on farm, as can be seen in table 3. During the same period, total external liabilities increased by 3% from an average of £312.3K to £322.7K. This increase could mainly be attributed to other loans and it was noted that farms in this group reduced the farm overdraft markedly, from an average of £53.4 K to £30.6K.

Horticulture

The average size of FBS horticulture businesses in the West Midlands sample was 27.9 ha, much less than the average of 48.3 ha for the England sample. Tenure status of these businesses was 27% tenanted and 73% 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 8.2 ha against the England average of 4.5 ha. Annual labour units stood at 6.59 units for West Midlands region and 6.94 for England. When these figures are shown on a per hectare, basis the West Midlands used 0.236 units per hectare while the figure for England was 0.143, reflecting the more labour intensive crops grown in this region.

Total business output for horticultural holdings decreased considerably in 2011. An average reduction of £100K per business was noted and when looking at individual enterprises, glasshouse flowers and nursery stock, outdoor flowers and nursery stock, and top fruit saw notable reductions in output of -19%, -54% and -53% respectively. Alongside these sharp drops in output, a considerable decrease was also seen in the businesses variable costs. Total variable costs decreased by 31% or £30,699 for this group, with the largest contributing factors to this decrease being a 36% reduction in the cost of purchased seeds and young plants, a 51% reduction in the cost of fertiliser and a

28% reduction in miscellaneous crop costs. As with variable costs, substantial decreases were also evident in fixed costs, which fell by 33% from £231K in 2010 to £173K, this trend was also evident in the England sample, see table 15, but to a lesser extent where there was a 6% reduction in fixed costs. Contributing to the reduction was a 32% or £35.6K to labour costs, of next significance was contract costs (-£2K) and machinery fuels and oil costs which reduced by 17%. The net effect of the reduced total costs and output was a conservative 9% reduction in FBI, where the decreased output was tackled by a directly proportional decrease in costs. During the same period, the England horticulture group saw a 15% improvement in FBI, where output decreased to a lesser extent than the West Midlands, (-3%) and total inputs fell by 6%.

Balance sheets, as with all farm types saw a rise in total assets, as a result of an 8% rise in the value of land and buildings. A 16% rise in the value of machinery and equipment was recorded, indicating investment in the year. Current assets also showed modest increases, of most significance was the increase in stock at the year end. Total liabilities at the year end had increased by around 9% as can be seen in table 11, with the increase being due to an increase in short term loans. The group ended the year with a net worth of £689K, up £51K from the beginning of the year, broadly similar to the £57K / 7% increase in net worth for the horticulture England sample.

Pigs (England)

This commentary is based on the national sample of 74 pig farms across England. Our report includes all types of producer; independent and contract units, and all combinations of breeding through to finishing. The average pig farm was stocked with 2,362 pigs, little changed on the previous year. However the average size of farm increased from 44.7 ha to 63.4 ha with more land used for home produced feed and cereals grown for straw.

The FBI of Specialist Pig farms averaged £37,980 in 2011/2012 (£44,439 in 2010/2011). Pig output at £419,787 was lower than the £424,270 achieved in 2010/2011. The deadweight average pig price (DAPP) was 144.27 pence per kilogram at the end of April 2012, having peaked at over 145 pence in July 2011 and fallen to a low of below 137 pence in February 2012. Overall, pig producers have faced high production costs again this year, with high grain prices having the biggest impact. However British weaner prices remained relatively stable throughout this period at £43.75 per head end of April 2011 to £45.35 per head at the end of April 2012. With the lowest price dipped to £39.98 per head in October 2011 (DAPP)¹.

The capital position of Specialist Pig farms was reasonably stable again this year with a healthy increase in stock levels and investment in machinery and equipment. Overall, the closing net worth of £795,705 per farm compared favourably to the opening figure of £733,326.

With the ban of sow stalls in the EU coming into force in January 2013 it is expected that several member states will not be fully compliant with only 12 out of the 27 on course to meet the deadline². Pigmear production in the EU is expected to fall as some European farmers might see this as an opportunity to leave the industry avoiding investment in new equipment³. This is expected to place the British pig industry in a much stronger position, with prices to match, following a run of difficult years since the ban took effect in Britain in 1999.

Poultry (England)

The 2011/2012 poultry sample included 96 farms (97 last year) representing all types of poultry farming, but principally egg and table chicken production. The average farm size

¹ BPEX website for DAPP

² Farmers Weekly 16/3/12

³ Farmers Weekly 16/4/12

was smaller; numbers of hens and pullets in lay were 44 per cent lower per farm and broilers and other poultry were 22 per cent lower. There were fewer tenanted businesses in the sample in 2011/2012.

The average FBI for this sector was £41,110 representing a 40 per cent reduction on the previous year figure. The nature of this sector means that the income of individual farms can change considerably from year to year. This, along with the relatively small size of the sector and of the sample in the survey, means that our estimates are subject to greater levels of fluctuation and uncertainty than in other sectors. The livestock output was £578,702 of which 26 per cent was from eggs and 74 per cent was from broilers (32 per cent of this came from eggs and 68 per cent from broilers in 2010). Costs to the poultry sector continue to increase, feed accounted for 61 per cent of overall agricultural costs and 86 per cent of livestock specific costs making it very difficult to find any cost saving measures that have any real impact.

Egg Production: Egg production was dominated by the transition from caged to enhanced pens under the 1st January 2012 ban. The impact was greatest for those choosing to cease production or reinvest in enhanced pens, but the price fluctuations impacted those continuing in production with free range or enriched cages. The UK cost of moving to enhanced cages has been quoted as £400 million; more than £25 per hen housed¹. Ahead of the cage ban, there was a continued gradual reduction in the UK flock during 2011 and the strategy of earlier culling of older flocks meant the size of the UK layer flock dropped to 31 million birds in January 2012². Production fell; in 2011 26.9 million cases of eggs were packed a decrease of 2 per cent on the previous year³. The average price per dozen eggs also fell slightly to 69.9p in 2011, from 70p in 2010⁴. In early 2012, the market rallied due to reduced supply. Rapid culls in Europe to meet the cage ban are illustrated by the case of Spain which was 120 per cent self sufficient and exported 20 per cent to the UK, but is now a net importer⁵. Eggs classed as seconds have seen a price increase, for example Stonegate packers gave an additional 14p per dozen to reflect processor demand⁶. We wait to see if these rises are sustained or just a feature in the shift of production as markets adjust after the cage ban. Pressure from imports remains strong with confusion over caged eggs from other EU countries entering the UK as processed product. Sainsbury's have announced that all eggs used for all its own-brand food as well as its shell eggs now come from cage free hens⁷. Other supermarkets and retailers are taking a similar stance. Higher feed prices were a matter of considerable concern to the industry in 2011. In turn these also led to higher costs of production for pullets and so increased prices to egg producers.

Poultry Meat: Wholesale prices for chicken meat have remained reasonably stable in the face of rising input costs². Demand has grown for speciality birds such as wild guinea fowl and poussin, the fastest growing meat on sale in the UK, as more consumers seek roast dinner alternatives⁸.

¹ Defra.gov.news 21/2/11

² GB emerging threats report, avian diseases, Vol. 15, No. 4, Oct-Dec 2011

³ The ranger.co.uk/marketdata/eggthroughput

⁴ Defra.gov.uk/statistics

⁵ Fwi.co.uk, 9/3/12

⁶ Fwi.co.uk, 22/3/12

⁷ Fwi.co.uk, 15/2/12

⁸ Fwi.co.uk, 5/12/11