

## **THE 1998/1999 SURVEY**

### **Key Findings of the 1998/1999 Survey**

- **The lowest farm incomes (for 10 years) were recorded on combinable crop and livestock farms**
- **Returns on pig farms declined further**
- **Low prices prevailed for commodity cereals, combinable break crops, milk and all meat**
- **Sterling strengthened against European currencies**
- **Exceptional potato prices were available in 1998 restoring fortunes of Fen Arable and Mixed Cropping farms**
- **Borrowing was inexpensive in a year when indebtedness by farm businesses increased**

### **About the Survey**

The original Cambridge University survey of farming in the Eastern counties was initiated in 1925 and the Farm Business Survey, as we now know it, was introduced in 1936. In this report, for the harvest year 1998 and for the accounting year up to the end of April 1999, information was collected from 381 farms.

The study includes the counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, South Lincolnshire, Norfolk and Suffolk. The land area represented totals 1.6 million hectares of farmed land and includes 30 per cent of the crop area of wheat and 60 per cent of the area of sugar beet grown in England and Wales.

This Report on Farming in the Eastern counties is intended to be of interest and value to managers, policy makers and economic researchers. One established use of the report is as a source of comparison on financial measures of farm performance. Benchmarks are presented for a range of farm types classified variously by product mix, farm locality and income level. The detailed tables in Appendix 4 are a unique source of reference for farmers and their advisors in the Eastern counties and adjacent areas, and for those concerned with the financing and supply of agriculture and with dealings in land. The data on output, detailed costs and gross margins by enterprise are useful inputs to planning, budgeting and evaluation.

### **Presentation of Results**

Results are presented by farm type and district. Definitions of these classifications are given in Appendices 1.3 and 1.4 respectively. Unless stated otherwise, unweighted sample means are given. For results spanning several years, all historic data has been shown in real terms. Machinery has been depreciated by replacement value. The term 'upland' in this report refers to farms which are outside the fen districts. The results for horticultural businesses are published in a separate report.

### **Business Performance Summary**

#### **Performance of All Farms**

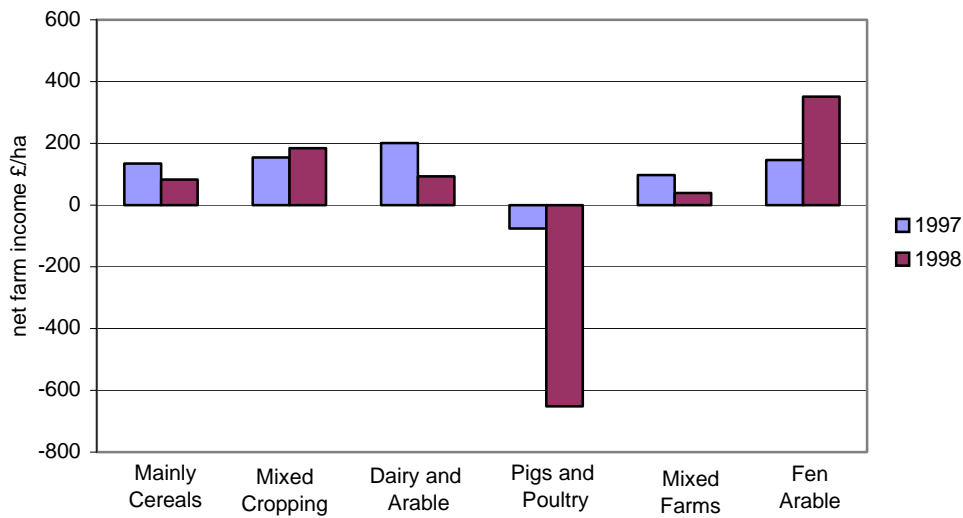
Overall, the net farm incomes recorded in 1998/1999 were the lowest since the two unusually

unprofitable years of 1987 and 1988. They averaged £128 per hectare and were insufficient to meet interest costs and provide reward for the farmer's labour and management input. This was the second successive year of overall poor returns. The average net farm income earned in 1997/1998 was £137 per hectare.

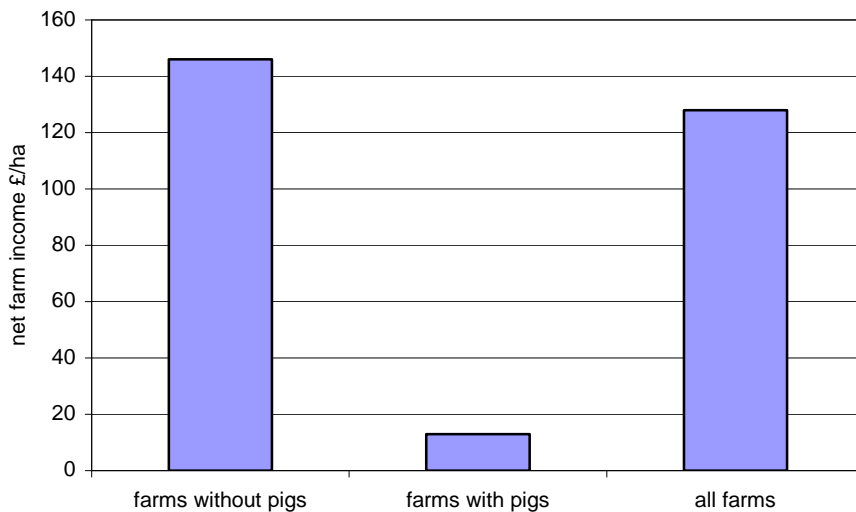
### Performance by Farm Type

Figure below illustrates the relative profitability of the different farm types in the Eastern counties. Pig and Poultry farms were the most severely affected with an average net farm income of -£39,184 per farm.

**Net Farm Income per Hectare by Farm Type 1997/1998 and 1998/1999**

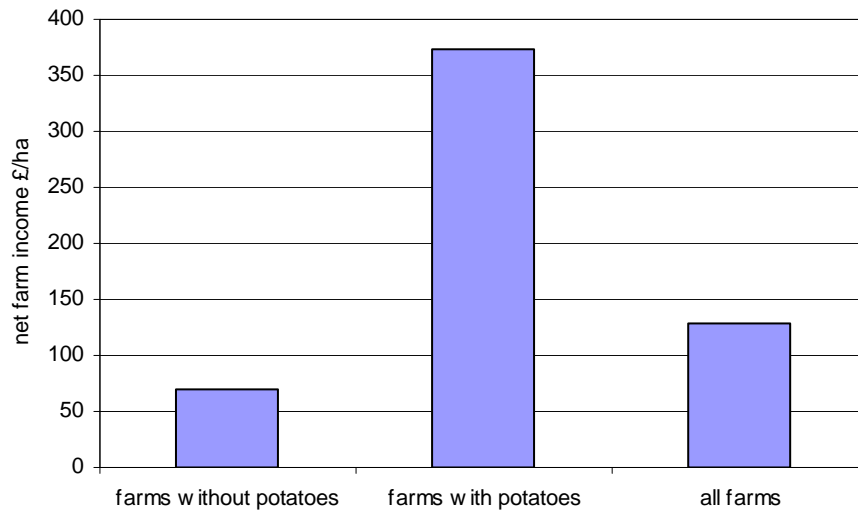


### The Impact of Pig Enterprises on Net Farm Income



The two dominant influences on farm incomes in 1998/1999 were the low sale value of pigs and high prices achieved overall for potatoes. The Figure above and the figure below graphically illustrate the impact of these enterprises.

#### The Impact of Potato Enterprises on Net Farm Income



On farms exposed to pig production, regardless of farm type, the average net farm income dropped to £13 per hectare. In contrast farms with potatoes, on average, enjoyed a net farm income of £374 per hectare and a 13.4 per cent return on capital.

### Crop and Livestock Performance

The gross margins presented in Table below are the essential building blocks, which, together with the fixed costs contribute to the net farm incomes described above.

#### Comparison of Real Gross Margin per Hectare for Harvest Years 1993 to 1998

	1993	1994	1995	1996	1997	1998
	£ per hectare					
Winter wheat	779	820	969	792	629	625
Winter barley	672	682	866	681	583	524
Spring barley	613	634	820	534	548	566
Oilseed rape	681	629	781	896	766	576
Beans	666	645	635	596	638	481
Peas (combined)	688	638	745	674	613	439
Set-aside	250	315	324	305	299	288
Potatoes	2736	5876	4600	1091	2203	5352
Sugar beet	1271	1188	1228	1115	973	951
	£ per head					
Dairy	985	993	1046	932	922	801
Beef (grazed)	320	232	226	196	177	177
Sheep	49	46	46	44	31	41

In most cases, 1998 represented the third or fourth successive reduction in margin. The exception was the potato crop with a gross margin of £5,352 which was the highest return from this crop since 1994.

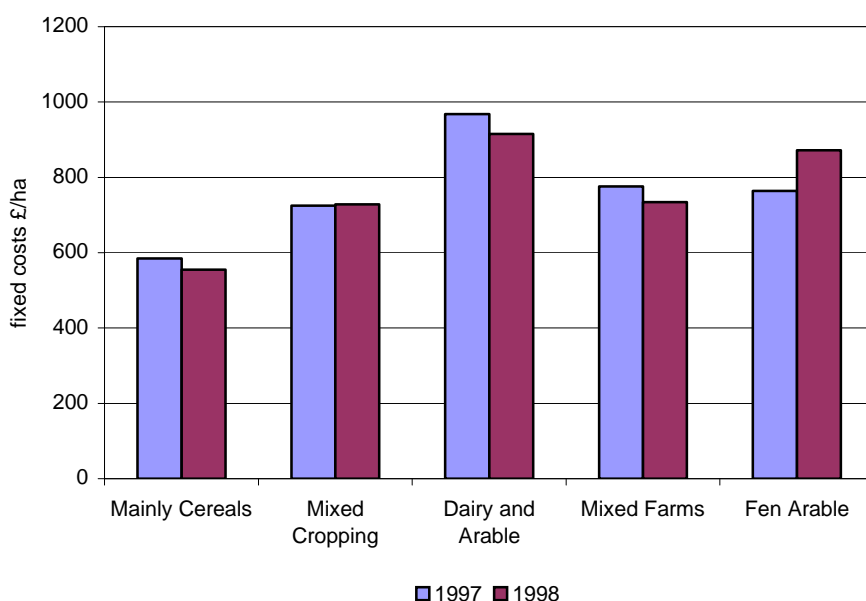
## Fixed Costs

Low energy costs contributed to the observed fixed cost reductions. Of the elements within the scope of management control, further savings were made on labour and depreciation on upland farms. The 1998 savings were additional to those made successively on upland farms since 1993. The same trend has not been observed on fen farms.

It is interesting that the more profitable Mixed Cropping and Fen Arable farms increased their fixed cost expenditure during the year, mainly through additional labour costs.

Figure below shows the observed reductions in fixed costs in 1998/1999.

### Fixed Costs by Farm Type 1997/1998 and 1998/1999



## Capital Position

### Net Worth of Tenant and Owner Occupied Farms

Figure below demonstrates that the polarisation of fortunes between owner occupiers and tenant farmers in the Eastern counties continued following the introduction of the reformed Common Agricultural Policy in 1993. In both cases, net worth appreciated over the first years of the scheme and has, more recently, declined. In the case of owner occupiers, net worth peaked in 1996. The overall real terms increase has been six per cent. For tenant farmers, the decline started earlier, in 1995, and the overall fall in net worth amounts to 21 per cent.

Net Worth by Occupancy Status 1993/1994 to 1998/1999

