

THE 2001/2002 SURVEY

Key Findings of the 2001/2002 Survey

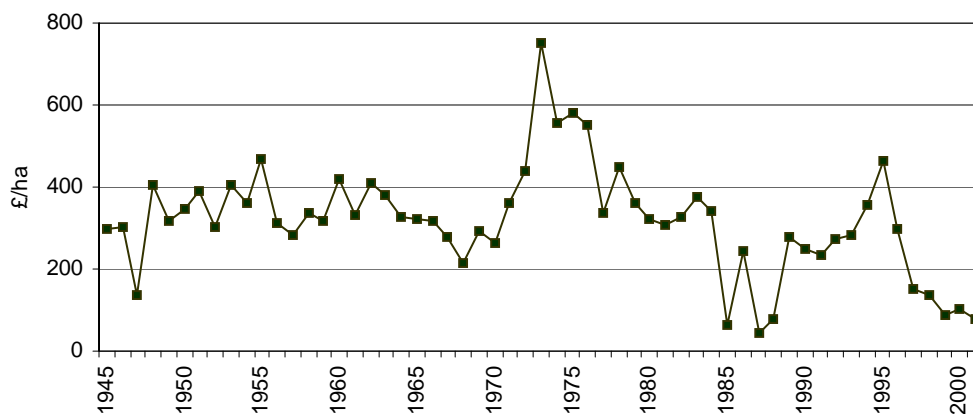
- The rolling five year net farm income was the lowest recorded in our survey
- Cropping was dictated by the wet weather rather than farmer choice
- Crop yields suffered due to late establishment into wet soils and untimely spray applications
- Foot and Mouth Disease disturbed marketing arrangements to the benefit of some producers
- Livestock numbers continued to decline and average arable enterprise size increased

Farm Performance 2001/2002

Farm incomes fell again in 2001/2002. The average net farm income for all farms in the Eastern counties, as measured by our 2001/2002 survey, was £76 per hectare.

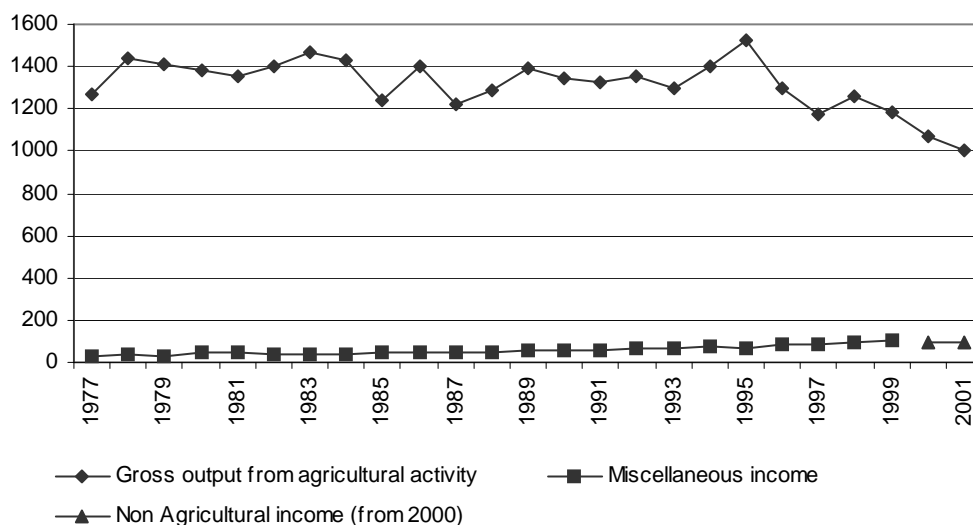
The sustained nature of farm income depression was confirmed by the lowest recorded rolling five-year net farm income of £110 per hectare. The figure below graphically illustrates the situation.

Net Farm Income in the Eastern Counties 1945 to 2001 in Real Terms



The reduction in net farm income was not as severe as the reduction in gross output, since fixed cost savings were made. The figure below demonstrates how, the now familiar, situation of low world prices and an unfavourable exchange rate have impacted on sales of agricultural produce. Gross output from crop and livestock production declined by a further six per cent to £1,002 per hectare. This compares with the average of £1,356 through the 1980's and the average of £1,316 per hectare in the 1990's. Non-agricultural activity, previously measured as miscellaneous income, appears almost static in recent years but at £97 per hectare in 2001/2002 was more than double the average income (of £43 per hectare) recorded in the 1980's.

Gross Output from Agricultural Activity and Miscellaneous Income /Non-agricultural Income 1977 to 2001



Persistent rain and wet soil conditions, from the autumn of 2000 to the spring of 2001, prevented drilling and delayed fieldwork. In consequence, crops with relatively low gross margin potential were established instead of winter wheat and a greater area of land was set aside. The crops were often drilled late and into poor seedbeds. Spray and fertiliser applications were often delayed, again due to the weather and soil conditions. As a result, crop yields were significantly below average.

Mainly through cost reduction and changes to business structure, farmers in the Eastern counties contained much of the reduction in output. Though on the predominant Mainly Cereals farms, net farm income fell by 34 per cent to £38 per hectare.

Farms exposed to potatoes, experienced improvements in income.

Because the weather and soil conditions had a major impact on profitability, there was considerable variation in farm performance according to soil type. Wet weather generally benefits farmers with light soil, whether on the Breckland, chalk or elsewhere. Conversely, wet conditions are unfavourable to farmers on Essex clay and our district results illustrate this.

Farms with dairy enterprises improved their profitability. These farms are mostly found in Norfolk and Suffolk.

Cropping

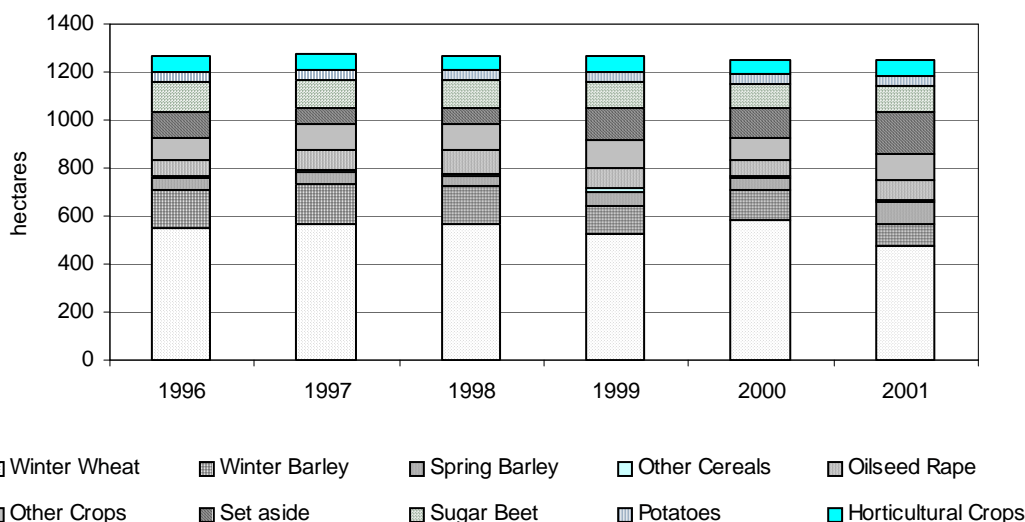
Combinable Crops and Set Aside

Winter wheat is the most economically important crop in the Eastern counties. Over the previous five years, it had accounted for 39.9 per cent of the total crop area and 32.1 per cent of the total gross margin. In 2001, winter wheat made up only 35.1 per cent of the crop area and contributed just 26.1 per cent of the total gross margin.

In the early autumn of 2000, unsettled weather hindered progress with the establishment of oilseed rape and early-drilled winter cereals. The unsettled weather later gave way to heavy rain and, as soils and available machinery allowed, some further drilling was possible. A brief break in the weather allowed winter cereals to be established in January on some soils.

The 1996 to 2001 cropping in the Eastern counties is shown in Figure 1.3. Compared to the previous year, the winter wheat area reduced by 21 per cent to 461,200 hectares. The greatest reduction was made in Bedfordshire and Essex. The winter barley area was 20 per cent lower at 97,900 hectares.

Crop Areas in the Eastern Counties 1996 to 2001



In the spring of 2001, growers were faced with a choice of whether to replace undrilled winter cereals with spring cereals or with break crops. Spring cereal, oilseed and pulse seed was purchased. The spring barley area increased by 82 per cent to 88,200 hectares and the combined area of winter and spring oilseed rape increased by 16 per cent to 78,900 hectares. Following the change to the subsidy regime, the linseed crop was practically abandoned and only 4,700 hectares were grown.

In the event, soil conditions did not allow satisfactory establishment of all of the purchased seed, and farmers opted for set aside or spring break crops grown for the subsidy rather than the yield. The set aside area increased by 40 per cent to 173,200 hectares. The increase was greatest in Bedfordshire, Essex and South Lincolnshire.

Sugar Beet, Potatoes and Horticultural Crops

In previous wet springs, potato growers had been financially rewarded for maintaining the area of potatoes due to shortages of supply and consequent price increases. Any such rewards were limited in 2001 as the potato area in the Eastern counties was maintained at the previous year's level. A larger area was grown in Norfolk whilst there was a reduction in the potato crop area in other counties. Growers increased the area of sugar beet grown in each county except Cambridgeshire.

The area of horticultural crops, in the Eastern counties, increased by three per cent. Further evidence of the concentration and specialisation of horticultural production is that there was an increase in the horticultural crop area in Cambridgeshire and South Lincolnshire but a reduction in most other counties.

Crop and Livestock Gross Margins

Crop Output

The table below gives a clear view of the problem faced by arable producers in the Eastern counties. Supported gross margins of all arable crops in 2001 were the lowest for at least six years due mainly to reduced yield.

Comparison of Real Gross Margin per Hectare for Harvest Years 1996 to 2001

	1996	1997	1998	1999	2000	2001
	£ per hectare					
Winter wheat	799	648	669	731	596	550
Winter barley	686	600	560	627	509	435
Spring barley	538	565	606	531	539	412
Oilseed rape	903	789	617	699	530	448
Peas (combined)	680	632	470	626	491	404
Beans	601	657	515	620	537	404
Set-aside	307	308	309	317	225	208
Sugar Beet	1125	1002	1018	897	816	826
Potatoes	1100	2271	5729	1589	3733	2672
Dairy (£ per head)	940	950	858	720	769	816
Beef (£ per head)	158	162	146	187	204	-
Beef (£ per livestock unit)	-	-	-	-	-	265
Sheep (£ per head)	44	32	44	41	35	21

The winter wheat crop yield reduced by ten per cent to 7.49 tonnes per hectare. All other crops, with the exception of herbage seed, gave lower yields than in any year since 1996.

The winter wheat price improved in response to reduced supply but this was not sufficient to make up the lost output due to yield.

Agrimonetary Compensation and Subsidies in 2001/2002

A secondary reason for the lower enterprise output was the lower area payment.

Despite the wet conditions, with set aside, claims for Arable Area Payments exceeded the base area in 2001 by 1.03 per cent and Arable Area Payments were scaled back accordingly. In 2001, the second stage of the Agenda 2000 reform of the Common Agricultural Policy (CAP) took place. Area payment rates for different crops converged further to the detriment of oilseed crops and linseed.

To partially fund the England Rural Development Programme (ERDP), the 2001 area and headage payments were modulated by 2.5 per cent.

In 2001, farmers received final tranches of agrimonetary compensation relating to their cropping and stocking in 1999 and 2000.

Livestock Gross Margins, Stocking and Foot and Mouth Disease

With the exception of sheep enterprises, grazing livestock showed a recovery in 2001 the year of Foot and Mouth Disease.

A total of 17 farms in the Eastern counties were culled out due to either FMD infection or as part as the contiguous cull.

Movement restrictions and biosecurity arrangements were imposed while the disease persisted in the UK. These arrangements were costly to administer.

The disease disrupted livestock marketing. Initially, outlets for stock were restricted. A favourable impact was that some breeding stock values increased as farmers outside FMD areas were able to sell stock to other parts of the UK.

Variable Costs

The quantity of fertiliser applied to individual crops was similar to previous years, but expenditure on fertiliser increased substantially. High fertiliser prices prevailed during late 2000 and farmers had committed to purchases in the 2000/2001 autumn and winter before prices fell sharply during the following spring as a result of reduced demand from FMD affected farms elsewhere in the UK.

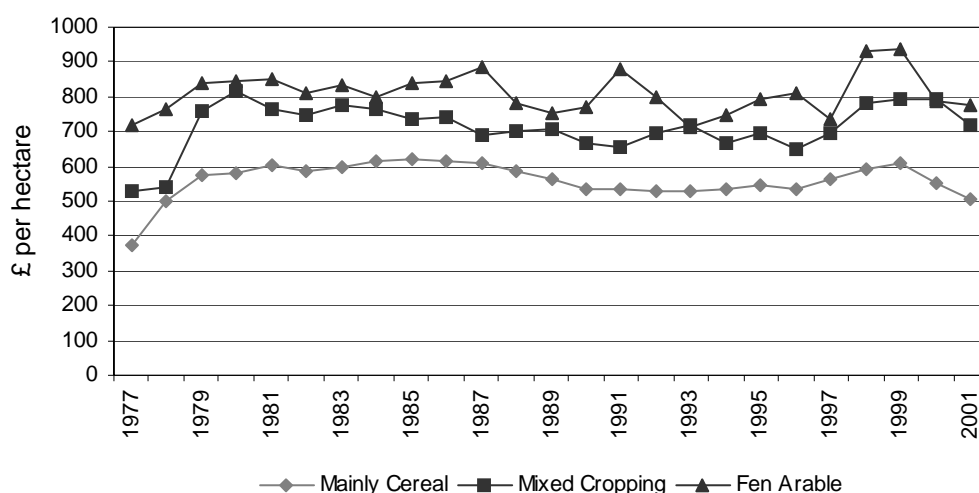
Seed, fertiliser, spray and miscellaneous variable cost expenditure, on individual crops, was very similar to the previous year. However, the total spend on these inputs was much lower than average due to reduced crop areas.

Fixed Costs

Most arable farms reduced their fixed cost expenditure in 2001/2002, despite external pressures such as wage rates, which would be expected to increase expenditure. The figure below shows the reduction in fixed costs observed on Mainly Cereal, Mixed Cropping and Fen Arable farms in 2001/2002 compared to the previous five years.

On the Mainly Cereal farms, average fixed costs fell by over 18 per cent in two years from £611 to £505 per hectare in real terms.

Fixed Costs on Mainly Cereals, Mixed Cropping and Fen Arable farms, 1977 to 2001 in Real Terms



Structural Change

Structural change of farm businesses in the Eastern counties was evident in the 2001/2002 survey:-

- The expansion of arable unit size through contracting and short term tenancies rather than land sale.
- A tendency of farmers to grow fewer arable crops (excluding set aside, growers produced nine per cent fewer crops in 1999 than they had in 1989).
- Specialisation of potato production into the hands of a smaller number of producers with investment in irrigation, storage and with established marketing arrangements.
- Concentration of sugar beet production into the hands of fewer farmers by means of the 2001 British Sugar's Outgoer's Scheme. Contract entitlement was traded during 2001 for use from the 2002/2003 campaign.

- Withdrawal from livestock production mainly through closing livestock enterprises rather than reduction in stocking on individual farms. In 2001, pig producers were assisted by the Pig Industry Restructuring Scheme for both Ongosers and Outgoers.

Capital Position

The average net worth of farmers in the survey improved in 2002 because land and buildings increased in value and farmers made a net reduction in long and short-term borrowing. Tenant type capital reduced in value partly due to lower livestock numbers.

There was little net change in borrowing by farmers, but this was a result of reduced investment in land, buildings and machinery. However, it is likely that additional borrowing provided working capital to make up the shortfall in earnings on some farms.

Advice and Education

In order to face the changes imposed on farm businesses in the future, skills, knowledge and advice will be of great importance.

The Farm Business Advice Service (FBAS) was developed in 2000 and in England 4800 farm visits had been made by January 2002. The FBAS provides an initial business appraisal with Action Plans and signposting.

Learning skills and knowledge are a developing aspect of government policy and a review of current activities was launched by DEFRA in November 2002.

In the 2001/2002 survey we asked farmers about their use of purchased business and agronomy advice and/or their qualifications. Within the survey, 22 per cent of farmers had a degree level qualification, 43 per cent had a college diploma, 13 per cent had at least GCSE level qualifications and a further 22 per cent had no formal education.

The figure below shows that farmers with no formal education rarely paid for business advice and only a few paid for agronomy advice. At least 60 per cent of the school and degree qualified farmers purchased advice of one form or the other. Under 50 per cent of the more vocationally qualified college attendees purchased advice, possibly because they believed that they had been trained to carry out this type of work themselves.

Number of Farmers Purchasing Agronomy and Business Advice by Education of Farmer

