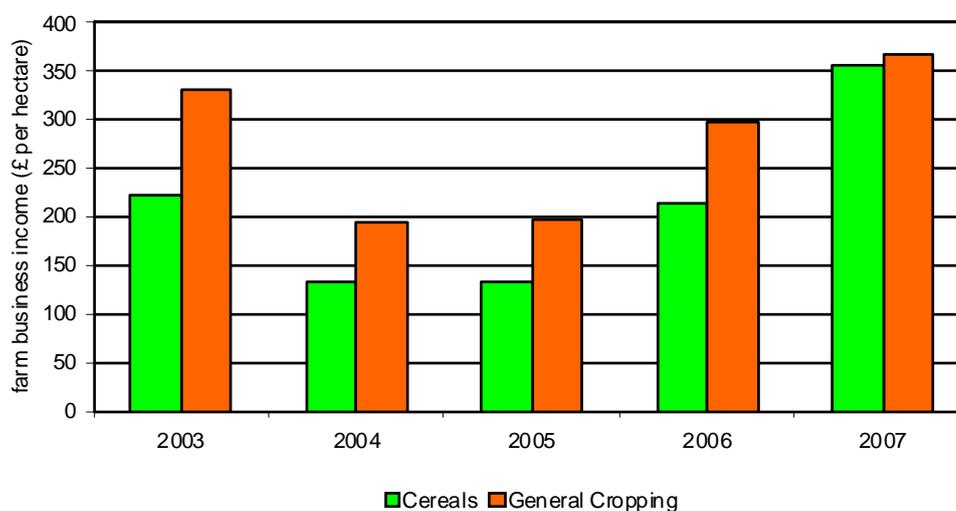


Summary

The third edition of Crop Production in England uses Farm Business Survey (FBS) results to explore the reasons for the greatly improved profitability of arable farms in the 2007 harvest year. In the final Chapter of the report, we use findings of an FBS survey of uncropped land to explore the impact of future policy for uncropped land on arable farmers.

In 2007/2008, Cereals farms experienced a 68 per cent improvement in Farm Business Income (FBI) to £357 per hectare and General Cropping farms saw a 23 per cent improvement in FBI to £368 per hectare. For the 2007 harvest year, most inputs were purchased during 2006 and 2007 prior to the greatest price increases, but products were marketed on a rising market in 2007 and 2008. There was considerable variation in performance of farm businesses, partly due to differences in timing of sales and purchases. Further uptake of Entry Level Stewardship (ELS) increased agri-environment scheme output, whilst there was no discernable increase in the contribution of diversification activity to farm profitability. Cereals farms experienced a reduction in Single Payment, although General Cropping farms saw no real change in their average payment rate.



Balance sheets showed increased asset values as the average value of farmland increased by 30 per cent in 2007, and investment in machinery increased by 63 per cent on Cereals farms.

Weather caused operational difficulties and yield loss. The dry spring of 2007 caused greatest problems on farms with unirrigated sandy soils or particular dependence on spring cropping, whilst the 2007 summer floods were most severe in Yorkshire, Humberside and Nottinghamshire in the north, the rivers Severn, Avon and Upper Severn in the West and around the River Thames.

The total area of cereals, break crops, potato and horticultural crops grown in 2008 was similar to the previous year, but farmers rejected pea and bean crops increasing their area of oilseed rape to 562,000 hectares; this was the greatest area of oilseed rape ever produced in England. Structural changes in the sugar beet industry brought the total area of this crop down by five per cent. Following the closure of the Allscott and York sugar beet factories, sugar beet was grown on 33 per cent fewer holdings, the main reduction was in the West Midlands and Yorkshire but some East Anglian sugar beet producers reduced the area of sugar beet, and some East Midlands and East Anglia businesses expanded their production of the crop.

Driven by a 60 per cent rise in average sale price to £140 per tonne, the improved winter wheat gross margin of £809 per hectare (£488 in 2006) was the main contributor to improved farm profitability in 2007, despite a nine per cent reduction in yield to 7.7 tonnes per hectare, and seven per cent increase in seed, fertiliser and spray costs. Winter wheat set a pattern of

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reduced yield, higher sale price and higher growing cost that was replicated for every combinable crop.

Root crop prices were unchanged and their gross margin reduced in line with the lower yield. Although the average yield of sugar beet reduced by ten per cent to 54 tonnes per hectare, nearly 25 per cent of producers achieved the 70 tonne per hectare aim of the Target 70 initiative, and there was improvement in yield performance amongst the highest yielding farms. The average sugar beet gross margin was £686 per hectare and 20 per cent lower than the previous year, however, the price remained at £24 per tonne. Overall, the crop was grown at lower cost with savings on fertiliser and other crop costs, but seed prices increased by three per cent in the year.

The year proved to be a difficult one for organic producers. The increased price of organic winter wheat failed to compensate for the 30 per cent reduction in yield to 3.4 tonnes per hectare. The organic winter wheat gross margin of £854 was only £45 per hectare higher than its conventional equivalent.



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