

2007/08 Financial performance of organic and conventional farms

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Introduction

- Defra funded Organic Farm Incomes project
- Methodology
- Overall position in 2007/08
- Individual farm types
- Latest data and trends
- Conclusions

Organic Farm Incomes project

- Project undertaken by Aberystwyth university since 1995
- Assess organic farm incomes in England and Wales
- Utilises data collected by Farm Business Survey
- Data analysed to produce figures for various farm types
- Annual report published each Spring
- Report is available online
 - <https://statistics.defra.gov.uk/esg/index/list.asp>

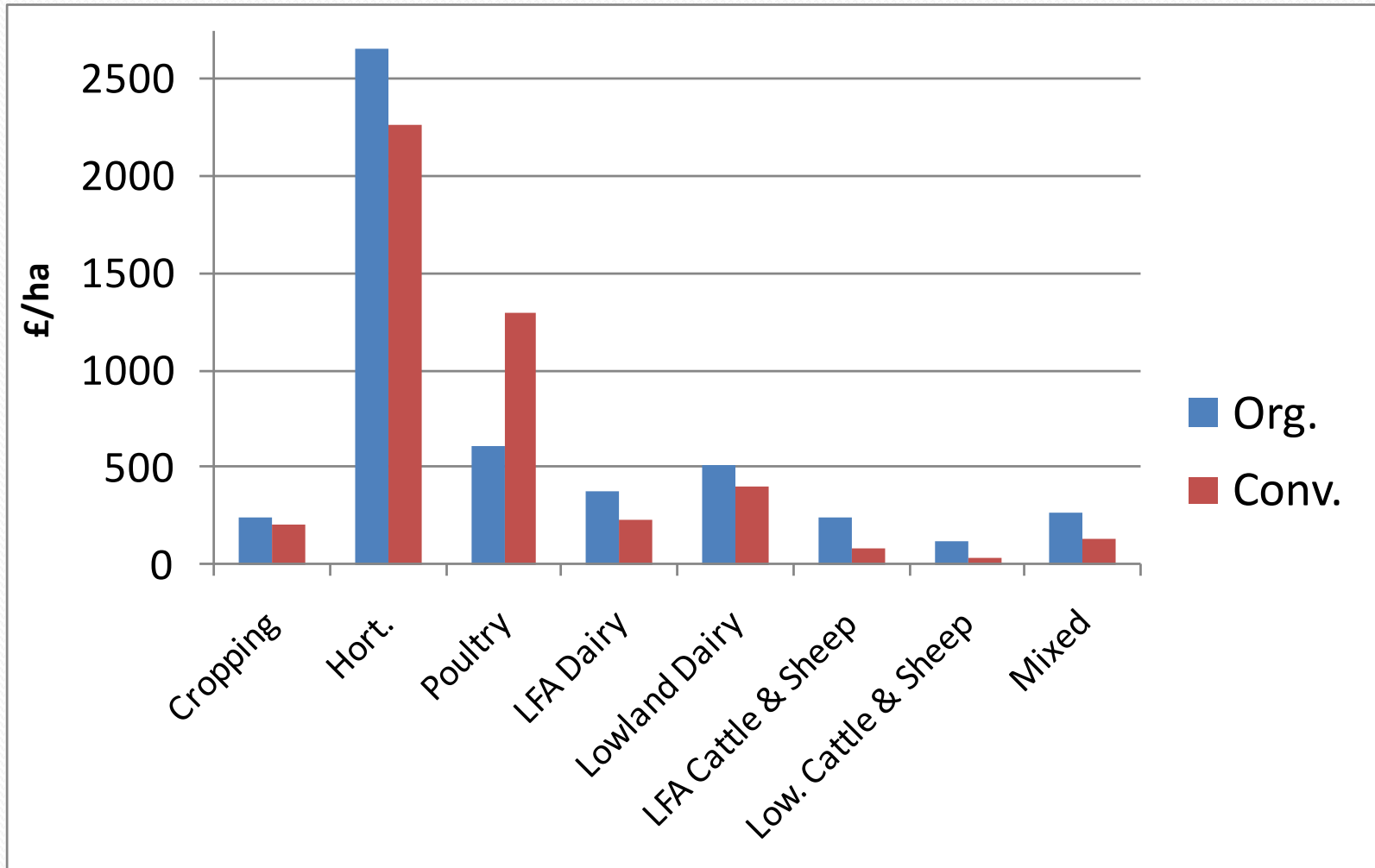
Methodology

- Data split by:
 - Organic, conventional or in-conversion status
 - Farm types e.g. dairy, LFA
- Organic farms must be >70% fully organic
- Each organic farm matched with a number of comparable conventional farms from the same region and with similar features, to ensure a fair comparison
- Data presented as:
 - A full farm sample of all suitable organic farms
 - An identical farm sample for comparison between two years of data

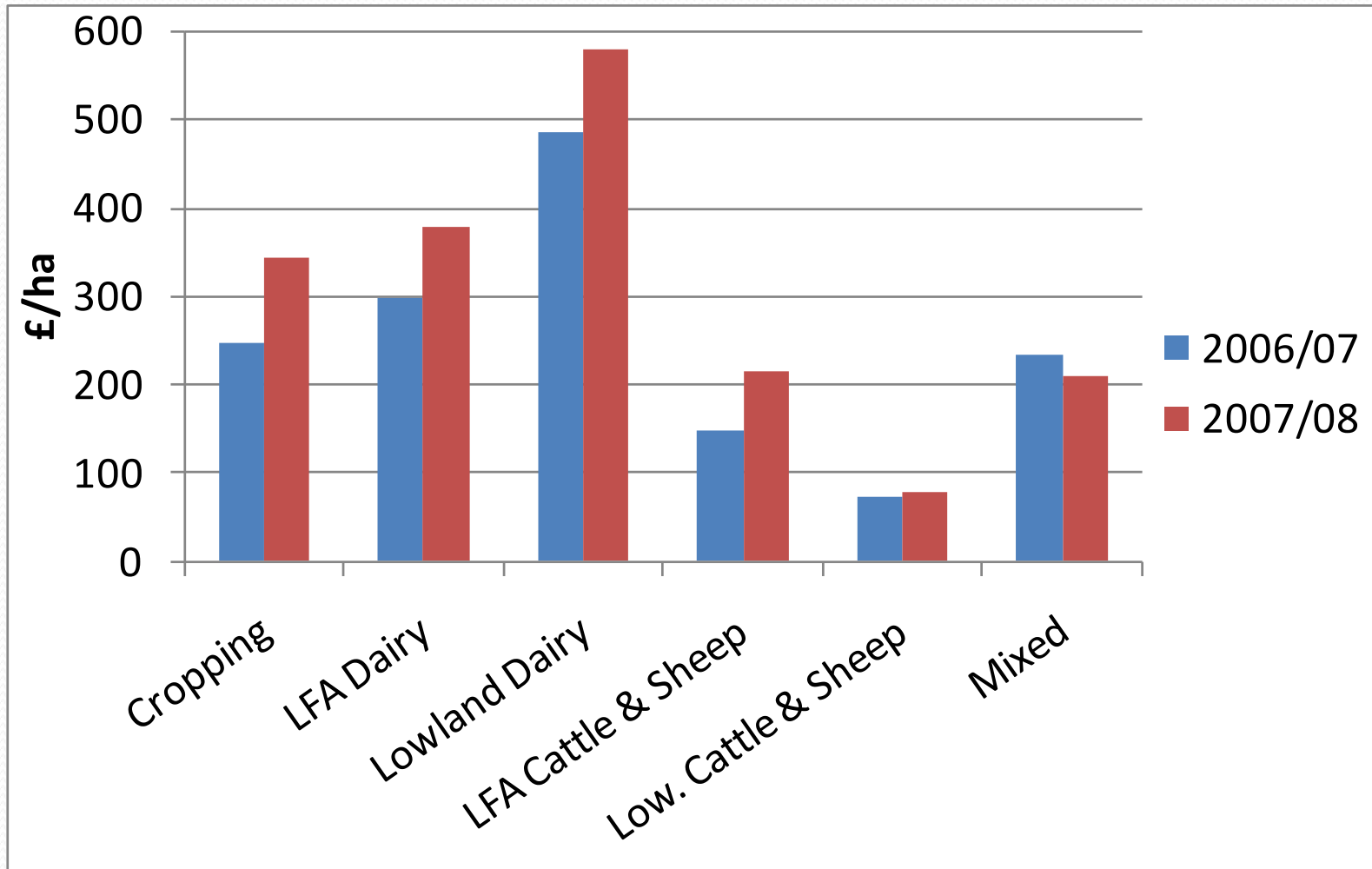
Overall position 2007/08

- Full farm samples – organic vs. conventional, 2007/08:
 - Nearly all organic farm types financially out-performed conventional farms, in 2007/08
 - Greatest difference on livestock farms
- Identical farm samples – 2007/08 vs. 2006/07
 - Higher NFI in all organic farm types
 - Higher NFI for most conventional farm types
 - Organic NFI higher than conventional for all farm types

Organic and conventional Net Farm Income, 2007/08 (Full sample)



Organic Net Farm Income, 2006/07 and 2007/08 (Identical sample both years)



Cropping farms

- Organic NFI 40% higher in 2007/08 at £345/ha
- Conventional NFI higher at £215/ha
- Cropping output lower for both
- Organic wheat price up 38%, approx. £250/t
- Organic yields around 30% lower in 2007/08
- Greater livestock and agri-environment payments on organic farms
- Organic input costs remained similar
- Conventional input costs up by 9%

Horticulture and poultry

- Horticulture
 - Small sample sizes
 - Organic NFI 15% higher than conventional at £2662/ha
- Poultry
 - Small sample size (1st year enough farms for analysis)
 - Organic NFI of £607/ha 47% lower than conventional
 - Similar output, but organic farms had lower stocking rate and higher costs

Dairy (Lowland and LFA)

- Lowland dairy
 - Organic NFI 19% higher in 2007/08 at £580/ha
 - Conventional NFI up 100% to £419/ha
 - Output up on both due to milk price increases
 - Inputs increased by 10% (organic) and 8% (conventional)
- LFA dairy
 - Organic NFI up 28% to £345/ha in 2007/08
 - Organic output up 18%, averaging 29ppl
 - Organic inputs also up, by 16%

Cattle and sheep (Lowland and LFA)

- Lowland cattle and sheep
 - Organic NFI 10% higher in 2007/08 at £79/ha
 - Conventional NFI fell 27% to £40/ha
 - Output fell for both farming systems
 - Organic inputs down by 7%, increased for conventional
- LFA cattle and sheep
 - Organic NFI up 46% to £215/ha in 2007/08
 - Conventional NFI similar at £77/ha
 - Both inputs and outputs similar for both farm systems
 - Support payments reach 48% of total organic output

Mixed farms

- Organic NFI 10% lower at £211/ha
- Conventional NFI also lower at £151/ha
- Organic livestock outputs up 15%, cropping output falling 2%
- Conventional livestock output similar, cropping up 43%
- Total inputs increased slightly for both

2008/09 Welsh costs of production

	Milk (ppl)		Breeding beef (LW)		Trading beef (DW)		Lamb (DW)	
	Org.	Conv.	Org.	Conv.	Org.	Conv.	Org.	Conv.
Total output	33.0	26.4	143	149	370	408	303	287
<i>Total variable costs</i>	14.4	12.5	89	102	125	174	158	173
Gross margin	18.6	13.9	53	47	245	234	146	114
<i>Total fixed costs</i>	7.8	6.7	194	121	250	168	199	142
Total costs	22.2	19.2	283	223	375	343	356	315
Net margin	10.8	7.2	-141	-74	-5	65	-53	-28
NM incl. Support Payments	9.2	5.3	92	101	258	164	109	2

Data: FBS Wales, 2008/09

Conclusions for the future (1)

- Most organic farms out-performed conventional farms in 2007/08, often due to higher output prices
- Changes since 2007/08:
 - Organic beef and sheep price premium now minimal
 - Organic milk price already lower
 - Organic cereal prices lower
 - Organic hort. and poultry markets have reduced
 - Lower feed costs for livestock farming

Conclusions for the future (2)

- Latest data shows conventional farm output has increased since 2007/08, organic has remained similar
- Organic costs of production often high, especially fixed costs due to lower physical output
- Organic farms more reliant on agri-environment support payments for income – payments likely to reduce (Glastir in Wales from 2012)
- Organic farms are likely to remain at least as profitable as comparable conventional units in the short term, however it is unclear beyond this