

# **Organic lamb and beef - what does it cost to produce?**

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# Do you really know your costs?

- Most beef and sheep producers do not record data on an enterprise basis
- Levy Co (Eblex, HCC) benchmarking data does not specifically show organic (QMS exception?)
- How can producers tell whether their costs are high or low, or whether (or how) costs should be targeted to make systems more profitable?

# Organic Farm Income Survey

- Annual survey of nearly 200 organic farms in England and Wales linked to FBS, of which
  - ◆ 40 LFA cattle and sheep
  - ◆ 31 Lowland cattle and sheep
  - ◆ 21 Mixed cropping and livestock
- Potential for significant cost data, including comparisons between organic and non-organic
- But, weights of livestock not recorded (makes cost/kg a problem to calculate), and
- Data quite historical when published

# Farm system results (£/ha)

2009/10	LFA C&S		Lowland C&S		Mixed	
System	Org	Con	Org	Con	Org	Con
Size (ha)	143.4	126.3	112.2	99.0	202.8	166.4
Output	907	913	820	844	1383	1416
- livestock	417	512	356	416	696	719
- crops	19	17	24	54	250	267
- agri-env	180	95	127	48	110	57
- SFP	247	251	217	192	231	231
Inputs	592	621	565	620	1131	1175
- livestock	155	197	95	148	329	350
- crops	20	64	25	39	85	178
- labour	50	21	40	55	148	114
- machinery	182	186	209	202	310	319
- general	98	83	120	114	123	122
- land/rent	86	70	76	62	136	92
FB income	315	292	565	620	252	242

## On the face of it...

... Compared with non-organic, organic livestock producers have:

- Similar output levels in total
- Lower livestock output, compensated by
- Higher agri-environment payments
- Lower livestock and crop costs
- Higher labour costs
- Similar other fixed costs and total costs
- Similar farm business incomes

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# Costs per animal or kg another story due to lower stocking rates

2009/10	LFA C&S		Lowland C&S		Mixed	
System	Org	Con	Org	Con	Org	Con
Forage (ha)	143.8	131.6	111.4	91.0	202.8	166.4
Total LU	127.3	127.2	89.3	84.6	154.8	118.8
LU/for. ha	0.9	1.0	0.8	0.9	1.2	1.3
Margin/LU	295	313	328	314	481	517

# Beef gross and net margins (£/head)

2009/10	LFA finished		Lowland finished	
System	Org	Con	Org	Con
Herds	10	34	37	62
Herd size	44	43	45	44
Output	1323	965	896	1244
Variable costs	501	389	282	549
Forage costs	59	175	69	132
Gross margin	764	401	546	563
Fixed costs	1024	528	931	821
Net margin	-261	-128	-385	-257
Imputed costs	536	440	549	610
NM inc. IC	-797	-567	-934	-867
Support	1024	595	912	668
NM inc. support	227	28	-22	-199

# Sheep gross and net margins (£/head)

2009/10	LFA lower prod		LFA higher prod		Lowland	
System	Org	Con	Org	Con	Org	Con
Flocks	9	58	29	138	37	150
Flock size	603	622	505	555	192	269
Output	39	47	87	77	82	90
Variable costs	14	23	32	27	28	32
Forage costs	2	5	3	9	4	10
Gross margin	23	19	52	41	50	48
Fixed costs	34	34	70	39	94	63
Net margin	-11	-15	-18	2	-43	-15
Imputed cs	27	31	31	38	47	54
NM inc. IC	-38	-46	-48	-37	-90	-69
Support	56	47	63	39	69	42
NM inc. sup	18	0	14	2	-21	-26



# Trading beef production costs (p/kgDW)

Wales	2008/09		2009/10	
System	Org	Con	Org	Con
Herds	16	19	6	23
Yield (kg/ha)	150	237	162	214
Price (p/kg)	322	285	312	299
Output	370	408	392	317
Feed costs	72	73	52	70
Forage costs	37	56	51	64
Gross margin	222	234	234	140
Fixed costs	250	168	268	158
Net margin	-28	65	-35	-18
Imputed costs	462	281	453	337
NM inc. IC	-490	216	-488	-355
Support	725	337	673	415
NM inc. support	235	120	194	61

# Lamb production costs (p/kgDW)

Wales	2008/09		2009/10	
System	Org	Con	Org	Con
Flocks	24	87	19	106
Yield (kg/ha)	167	258	146	209
Price (p/kg)	296	280	328	329
Output	307	287	344	345
Feed costs	49	57	45	62
Forage costs	29	44	29	46
Gross margin	153	114	197	163
Fixed costs	194	142	222	150
Net margin	-40	-28	-25	13
Imputed costs	295	202	321	224
NM inc. IC	-335	-230	-346	-211
Support	456	232	653	287
NM inc. support	121	2	307	75

## Key conclusions

- Lower feed and forage costs per kg and
- Similar output give
- Higher gross margin
- Outweighed by higher fixed costs due to lower meat yield per ha
- Lower net margin
- Worse if imputed costs included – need to consider value of farmer’s own resources
- Compensated by higher support (agri-env, organic (100p/kg)
- Better over all net margin including support

# Variability in beef costs (p/kg DW)

Wales 2008/09	Average	Top third	Bottom
Herd size (LU)	41	36	29
Stocking rate	1.0	1.1	0.9
Beef % of LU	35%	31%	37%
Yield (kg/ha)	150	199	138
Price (p/kg)	322	321	341
Output	370	429	319
Purchased feed	49	30	61
Forage costs	37	42	34
Gross margin	222	306	146
Fixed costs	250	159	361
Net margin	-28	144	-214
Imputed costs	462	431	494
NM inc. IC	-490	-286	-709
Support	725	613	863
NM inc. support	235	327	154

# Variability in lamb costs (p/kg DW)

Wales 2008/09	Average	Top third	Bottom
Flock size	559	320	985
Stocking rate	0.84	1.21	0.64
Sheep % of LU	48%	29%	64%
Yield (kg/ha)	167	278	120
Price (p/kg)	296	308	289
Output	307	348	286
Purchased feed	40	27	49
Forage costs	29	32	26
Gross margin	153	224	115
Fixed costs	194	146	247
Net margin	-41	78	-131
Imputed costs	295	358	274
NM inc. IC	-336	-281	-405
Support	456	477	453
NM inc. support	121	196	48

# Variability in results

- Differences in performance can be as high as £4/kg (£600/ha = £60,000 for a 100 ha farm)
- Puts premium price of 10-20% (40p/kg) in context
- In part reflects extensive production in hills (at least for sheep)
- Overhead costs can vary by more than £2/kg

# The bottom line

- If below average performance is costing you £50,000 or more, it has to be worth doing something about it if you can.
- Higher premium prices will not put it right
- Knowing what your costs really are is part of the process
- ORC would be interested in supporting a group of farmers engaging with costings as part of its Participatory Research Network