



REVIEW OF ORGANIC FARM BUSINESS INCOMES IN ENGLAND AND WALES FROM 2006-15

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May 2016

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1. Introduction

This report collates and analyses organic and non-organic farm performance from Farm Business Survey (FBS) data collected by Defra. The raw data has been compiled and reported on by both the Organic Research Centre and Rural Business Research.

Farm Business Income (FBI) is used as the main business performance indicator throughout this report.

Profitability measured by Farm Business Income over the year 2014/15 saw organic farms perform at least as well as if not better than most comparable non-organic farms. Year on year differences in performance were not large on all organic farm types.

Total costs were generally lower or similar on organic farms when compared to similar non-organic ones; with crop and livestock costs generally all lower.

The table below shows the average annual benefit for organic farming over non – organic farming for the main farm types recorded within the FBS. The standard reporting figure for farm profit is Farm Business Income (FBI); this is the total farm output from crop and livestock enterprises, diversification, grants, subsidies and miscellaneous income less the total farm costs (both variable and fixed). It does not include estimates for unpaid farm labour, rental value nor depreciation on tenants' fixtures. It does include interest and bank charges.

Average annual difference in Farm Business Income (£/ha) between organic and non-organic farm businesses (by main enterprise type) over the period 2006-2014

Farm type	Difference in Farm Business Income (£/Ha)
Arable	+40
Mixed	+35
Dairy	+43
Lowland Beef and Sheep	+28
LFA Beef and Sheep	+68

2. The broad trends for 2014 – 2015

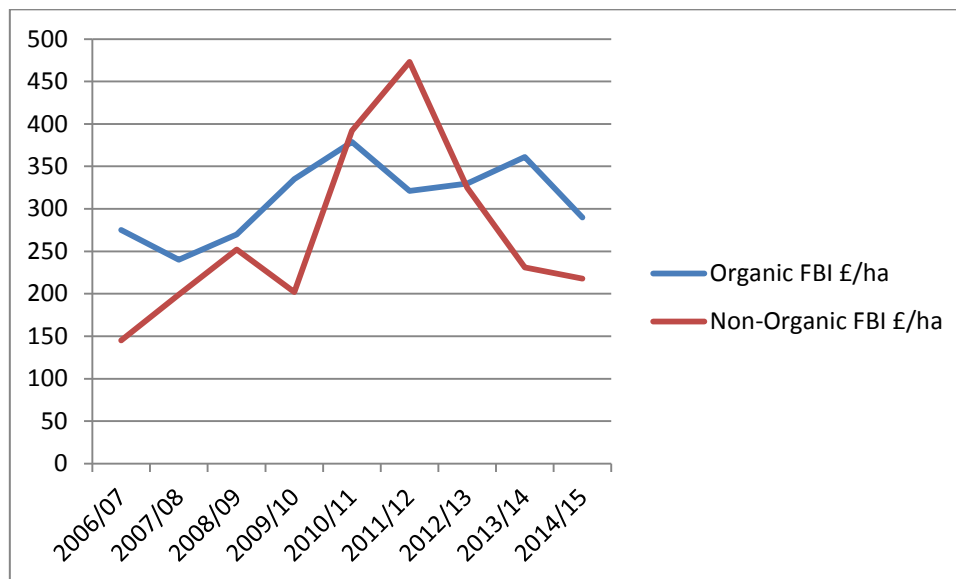
Farm business Income was generally higher on all organic farm types than comparable non-organic farms. However differences were only significant on LFA cattle and sheep farms. Organic farms received greater agri-environment payments than non-organic but the larger part of their farm income was derived from crop and livestock returns. Costs particularly costs attributable to livestock and crop enterprises were lower than on non-organic farms, for most farm types other than arable.

Year on year changes showed organic dairy and LFA cattle and sheep farms to have increased farm business income but all other farm types showed a decrease although the changes were not statistically significant.

3. Analysis by sector

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3.1 Arable Farms



The graph shows less volatility in FBI over the whole period for organic arable farms. The non-organic FBI has dropped from 2011/12 to 2014/15 whereas organic FBI has remained relatively steady.

Key points for 2006-2015

- Organic crops are sold at higher prices than their non-organic counterparts.
- Organic cropping farms have more fertility building crops and grassland, more livestock and make a greater use of agri-environment payments e.g. by growing wild bird mixes than their non-organic counterparts.
- Organic farms have much lower crop variable costs due to low usage of fertilisers and crop protection chemicals than non-organic enterprises.
- The main organic crops grown are wheat, peas and beans, potatoes and horticultural crops, with little oil seed rape and sugar beet due to lack of processing opportunities.

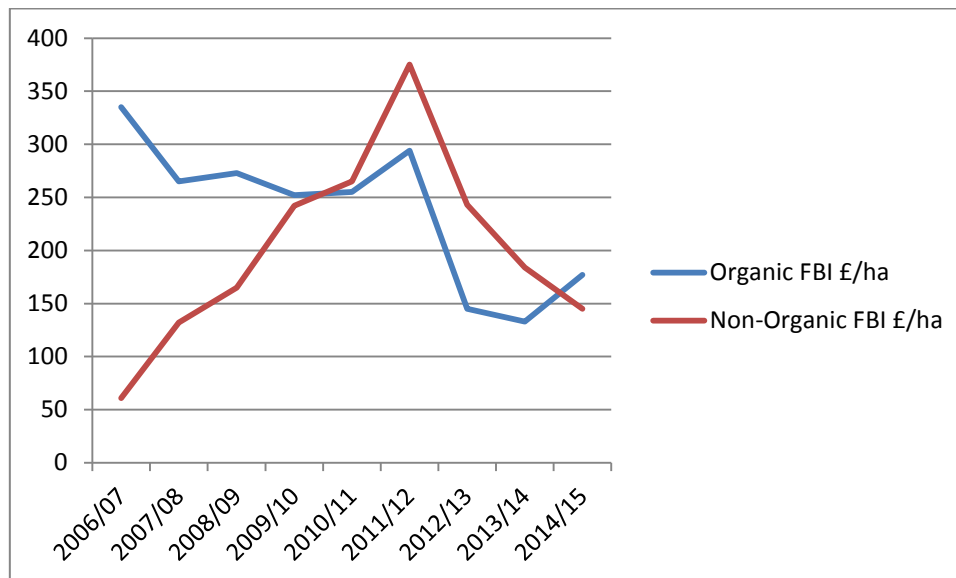
2014-15

FBI's were higher on organic farms due to higher financial outputs; cropping and agri-environment outputs were considerably higher than on non-organic farms. Organic farm crop input costs were considerably lower but machinery and labour costs were higher. Both organic and non-organic farms showed increases in total costs year on year.

Both systems showed increased yields over 2013/14, but with organic yields well below those on non-organic farms. Lower grain prices in both farm systems reduced total financial outputs.

Overall organic arable FBI reduced year on year but was still comparable to that of non-organic farms.

3.2 Mixed Farms



The year 2012/13 showed a drop in FBI for organic mixed farms after a relatively steady period, this drop is mirrored by non-organic farms which had otherwise been experiencing a steady rise in FBIs. The drop in FBI on organic mixed farms over 2013/14 was less severe than on similar non-organic farms. Small increases over 2014/15 on organic farms and corresponding declines on non-organic gave organic mixed farm's the edge in FBI even if not significant.

Key points for 2006-2015

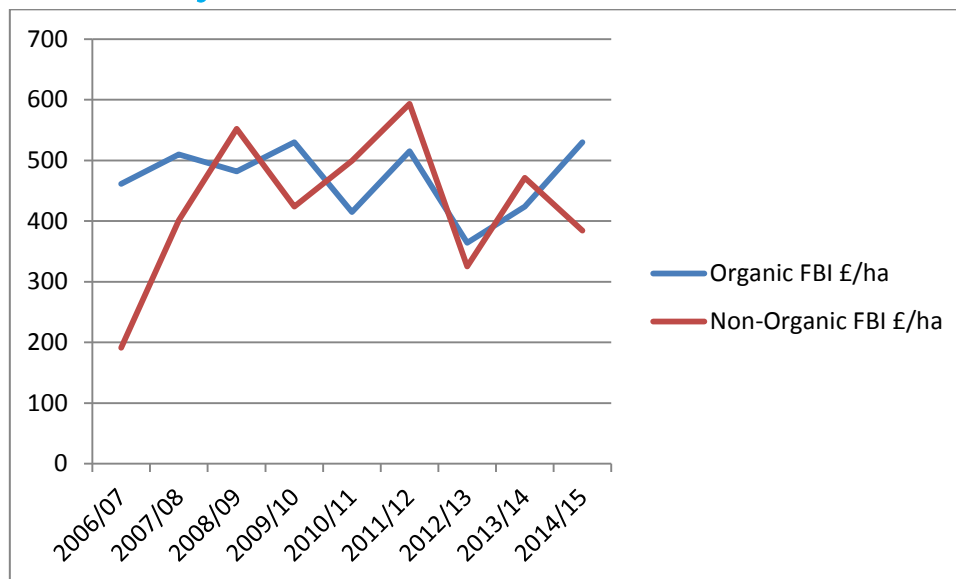
- There is a greater proportion of fertility building crops, grassland and higher numbers of livestock but at lower stocking rates on organic mixed farms than on non-organic farms.
- The proportion of cereal land remained constant on organic farms over the period 2006-2012 with winter wheat the most important cereal crop.
- Peas and beans, potatoes and horticultural crops are more important on organic farms than for their non-organic counterparts.
- The lower variable costs on organic mixed farms, due to reduced use of fertilisers and crop protection chemicals, gave higher gross margins than for non-organic farms.

2014-15

Lower financial crop and livestock outputs on organic farms but they also had lower inputs, particularly direct crop and livestock inputs. Organic wheat yields decreased but prices held up better than for non-organic farms. Cattle prices improved year on year for both organic and non-organic farms but lamb prices were slightly lower.

Both organic and non-organic FBI remained poor.

3.3 Dairy Farms



Organic dairy incomes have remained more stable over the last 9 years than the non-organic counterparts. The higher non-organic incomes since 2010/11 have now fallen behind organic dairy incomes. Both saw a decline in incomes in 2012/13 year which improved over 2013/14. Organic improvements in FBI have continued over 2014/15.

Key points for 2006-2015

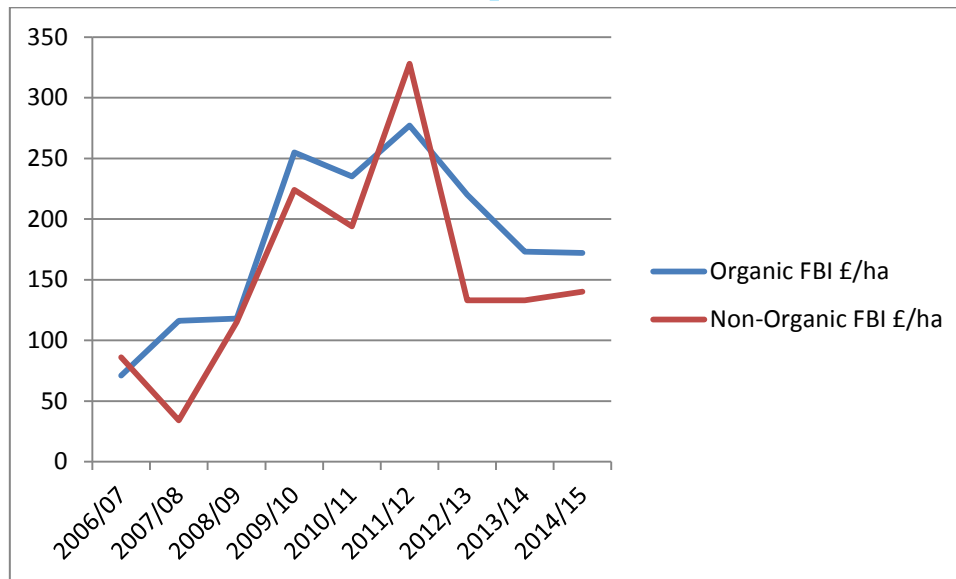
- Organic stocking rates are typically 20% lower than non-organic dairy farms because of the high relative use of artificial nitrogen on non-organic dairy farms and a greater reliance on purchased concentrates.
- Organic systems tend to be more reliant on forage production with a lower area of home grown cereals.
- Total costs per litre are higher on organic farms as they are spread over a lower quantity of milk produced per farm.
- Organic purchased feed costs are higher per litre of milk produced than for non-organic.

2014-15

FBI for organic dairy farms were higher in 2014/15 than on comparable non-organic farms; this was the case even though organic farm financial output was lower but so were the associated costs and in particular the crop and machinery costs. FBI on organic farms increased year on year with an increased financial output, whereas this declined on non-organic farms. Year on year costs for both did not change greatly.

As expected organic milk yields per cow were lower than on non-organic farms but the organic milk price increased whereas the non-organic price declined.

3.4 Lowland beef and sheep farms



There was a steady rise in farm incomes for both organic and non-organic lowland beef and sheep farms up until 2011/12. The drop in income for 2012/13 was much less severe for organic farms than non-organic.

Key points for 2006-15

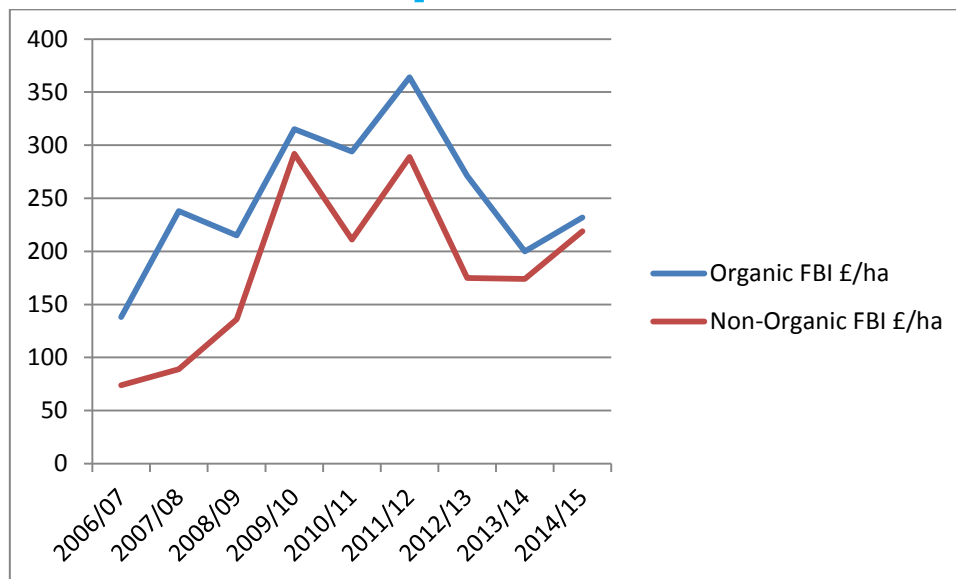
- Rises in non-organic red meat prices have underpinned organic prices.
- Organic premiums on lamb are usually only available in the winter and spring due to a supply/ demand imbalance.
- Grassland was dominant on organic farms with only 5% of land use down to cropping.
- Lower stocking rates on organic farms but a larger average farm size have resulted in greater totals of livestock per farm.
- The lower variable costs, in particular forage costs, result in similar or higher gross margins per head on the organic farms sampled compared with their non-organic counterparts.
- There has been a greater reliance on suckler herds in organic beef systems which may explain the greater outputs but not necessarily higher FBIs.
- Labour use per hectare is lower as a result of the lower stocking rates, but similar on a per farm basis due to the presence of larger organic holdings in the sample.

2014-15

There was a slight decrease in FBI on organic lowland beef and sheep farms; total financial output was lower year on year but so were costs especially livestock and crop growing costs.

Non-organic farms had a slight increase in profitability year on year with reduced costs. Organic cattle prices were slightly higher than non-organic but lamb prices were the same. Farm business incomes on organic lowland beef and sheep farms remained ahead of comparable non-organic farms, but incomes on both are poor.

3.5 LFA beef and sheep farms



Organic incomes on LFA beef and sheep farms have been consistently higher than similar non-organic farms. Both had been slowly increasing until 2012/13 when both systems experienced a drop in incomes. This continued over 2013/14, but reversed in 2014/15 with both showing an upturn in FBIs.

Key points for 2006-2015

- Agri-environment payments are higher on organic farms than their non-organic counterparts
- Livestock, crop and support payments, other than agri-environment are similar on both farming systems
- Beef prices improved for both organic and non-organic farms.
- Lower stocking rates but larger organic farm sizes resulted in higher numbers of stock per farm, but mostly from increases in cattle numbers rather than sheep.
- Lower spending on fertilisers and crop chemicals are found on organic farms compared with their non-organic counterparts.
- Labour, machinery costs and land charges are higher on organic farms than non-organic farms

2014-15

As has been the case for several years the FBI for organic LFA beef and sheep farms was higher than comparable non-organic farms. Livestock returns were slightly lower than non-organic but they received much higher agri-environment payments. Organic crop and livestock costs were also lower but overall costs were similar. Organic finished cattle prices were down slightly year on year whereas non-organic prices were considerably down; lamb prices were very similar.