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Organic farming profitability - how does it really compare?

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Organic Research Centre

7th Organic Producers' Conference

22-23 January 2013

Making producer-led innovation a reality

THE ORGANIC RESEARCH CENTRE ELM FARM

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Background

- Many farmers are reporting financial problems staying organic, as markets and premiums come under pressure
- What's the real story? Where's the evidence? Could it be that the grass is no greener on the other side? Are we all in the same boat financially?
- Since 1995, Aberystwyth University has produced an annual report on Organic Farm Incomes in England & Wales
- Now more than 200 organic farms are monitored as part of the Farm Business Survey, providing a valuable dataset
- These results feed in to the Organic Farm Management Handbook, now produced by Organic Research Centre
- What can the data tell us about the situation we're in? Soil Association/ORC report will reveal all!

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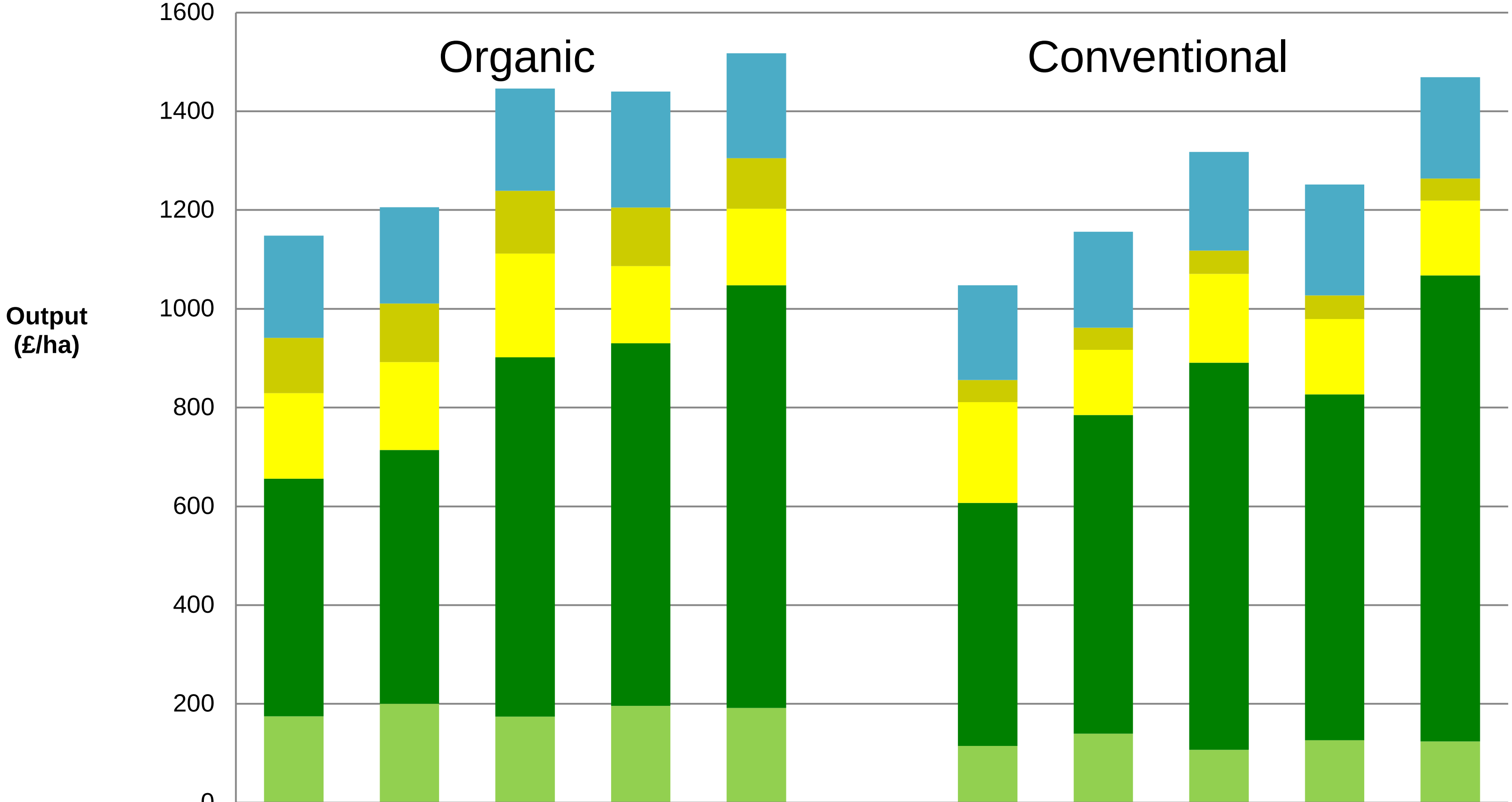
Cropping farm outputs (£/ha)



	2006/07	2007/08	2008/09	2009/10	2010/11		2006/07	2007/08	2008/09	2009/10	2010/11
Other support	207	195	207	235	212		192	194	200	225	205
Agri-environment	112	119	127	118	102		45	45	47	48	45
Miscellaneous	173	178	210	156	155		204	132	180	153	152
Crop outputs	481	514	728	734	856		492	645	784	700	943
Livestock outputs	175	200	174	196	192		115	140	107	126	124

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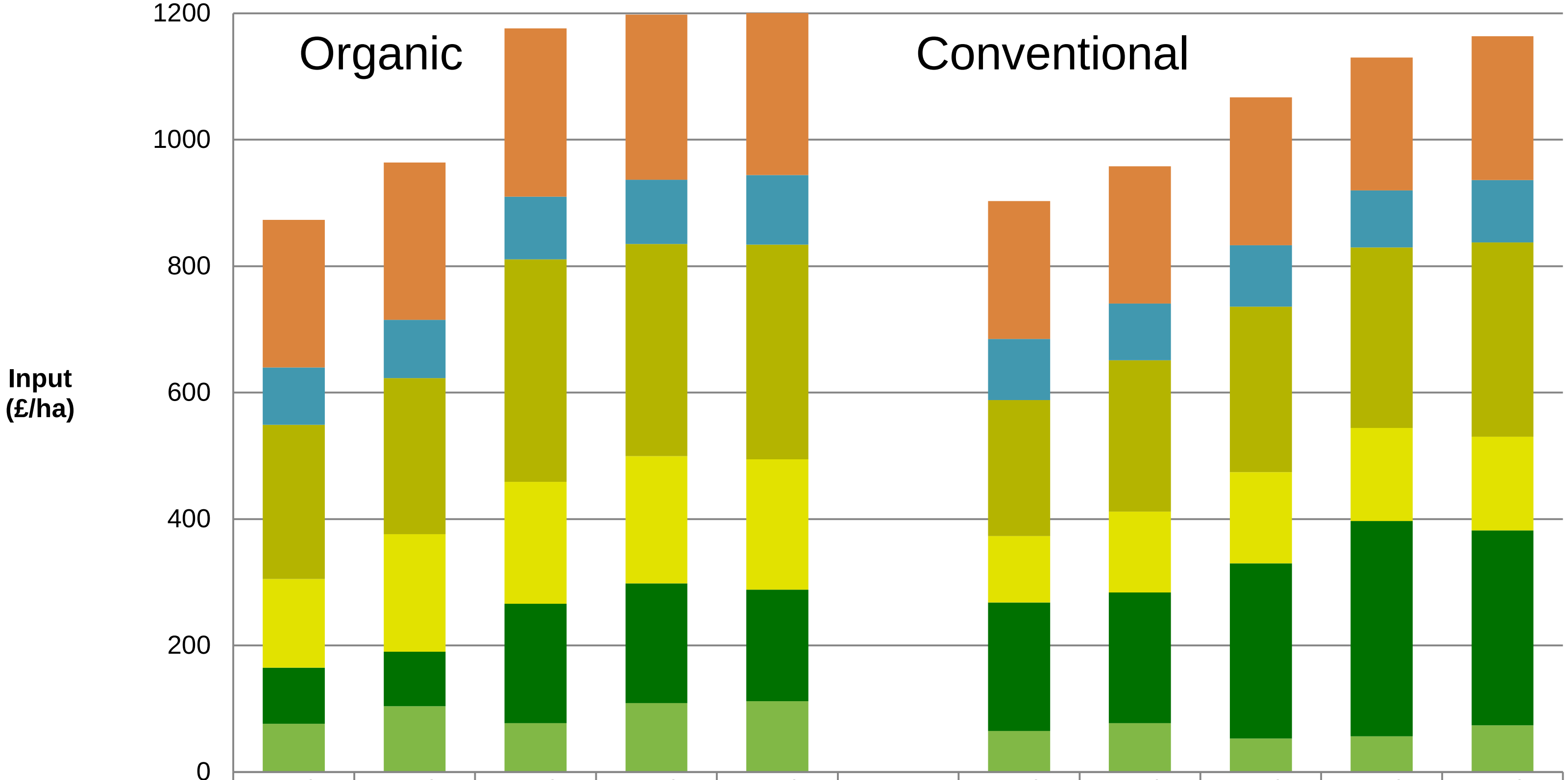
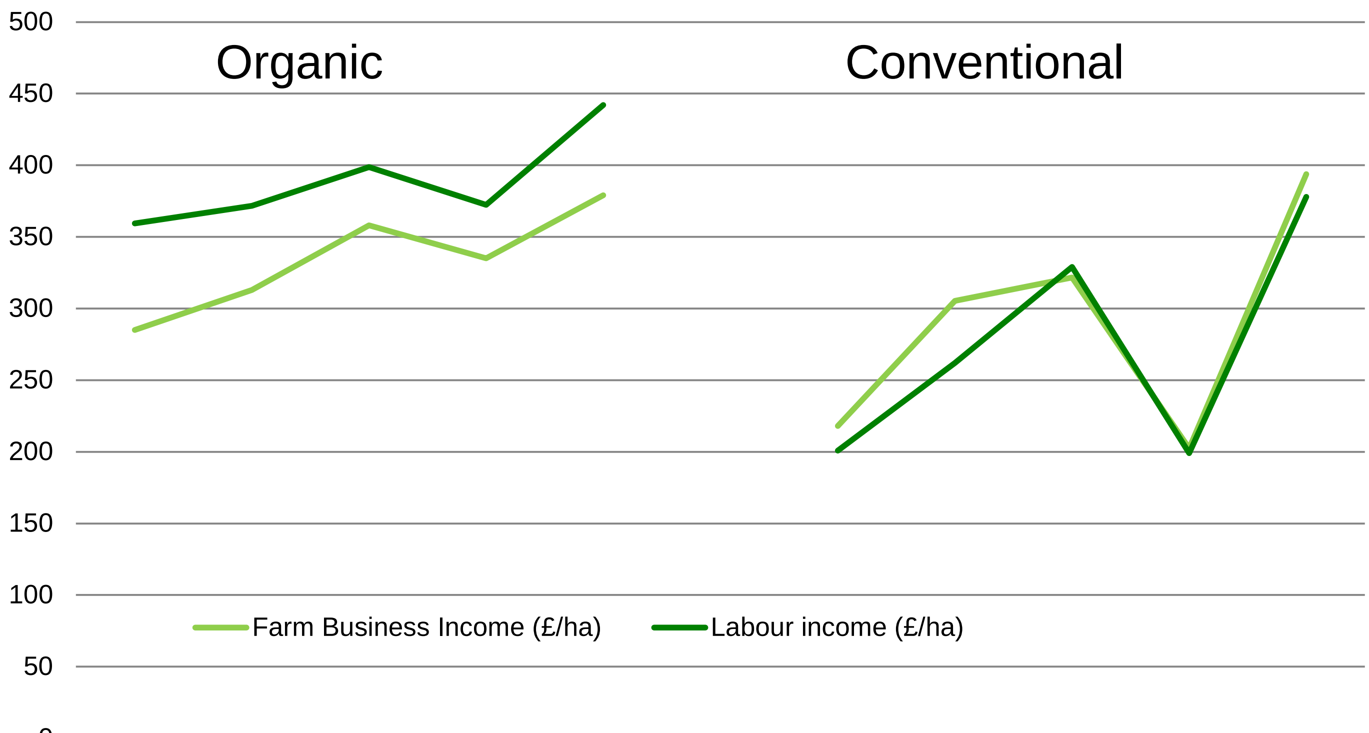
Cropping farm inputs (£/ha)



	Organic 2006/07	Organic 2007/08	Organic 2008/09	Organic 2009/10	Organic 2010/11	Conventional 2006/07	Conventional 2007/08	Conventional 2008/09	Conventional 2009/10	Conventional 2010/11
Land and rent	233	249	266	262	273	218	217	234	210	228
General	91	92	99	101	110	97	90	97	90	99
Machinery	244	247	352	336	339	215	239	262	286	307
Labour	140	186	193	201	206	105	128	144	147	148
Crop inputs	89	86	189	189	176	203	207	277	340	308
Livestock inputs	76	104	77	109	112	65	77	53	56	74

ORGANIC RESEARCH CENTRE ELM FARM

Cropping farm incomes (£/ha)



	Organic 2006/07	Organic 2007/08	Organic 2008/09	Organic 2009/10	Organic 2010/11		Conventional 2006/07	Conventional 2007/08	Conventional 2008/09	Conventional 2009/10	Conventional 2010/11
Farm Business Income (£/ha)	285	313	358	335	379		218	305	322	202	394
Labour income (£/ha)	359	372	399	372	442		201	262	329	199	378

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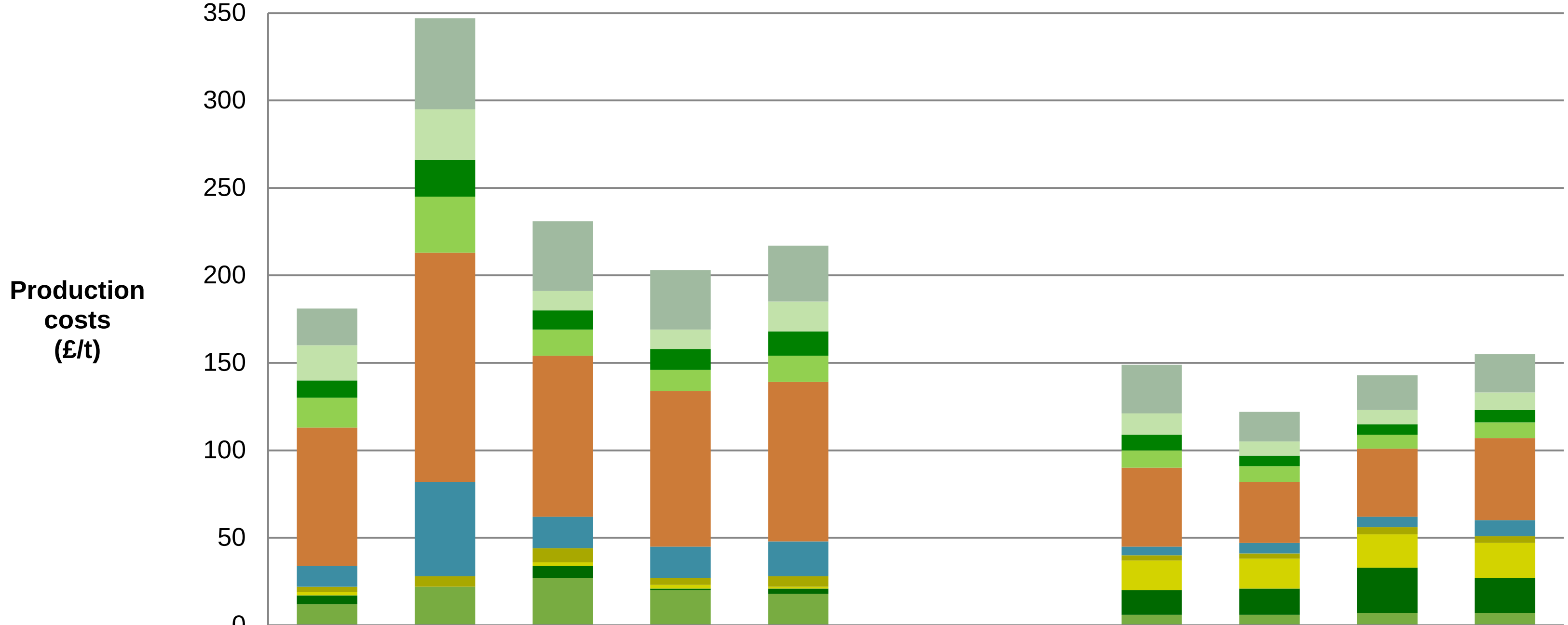
Wheat production costs (£/t)



	2006/07	2007/08	2008/09	2009/10	2010/11			2007/08	2008/09	2009/10	2010/11
Imputed costs	21	52	40	34	32			28	17	20	22
Rent and finance	20	29	11	11	17			12	8	8	10
General farm costs	10	21	11	12	14			9	6	6	7
Property	17	32	15	12	15			10	9	8	9
Machinery	79	131	92	89	91			45	35	39	47
Paid labour	12	54	18	18	20			5	6	6	9
Other crop costs	3	6	8	4	6			3	3	4	4
Crop protection	2	0	2	2	1			17	17	19	20
Fertilisers	5	0	7	1	3			14	15	26	20
Seeds	12	22	27	20	18			6	6	7	7

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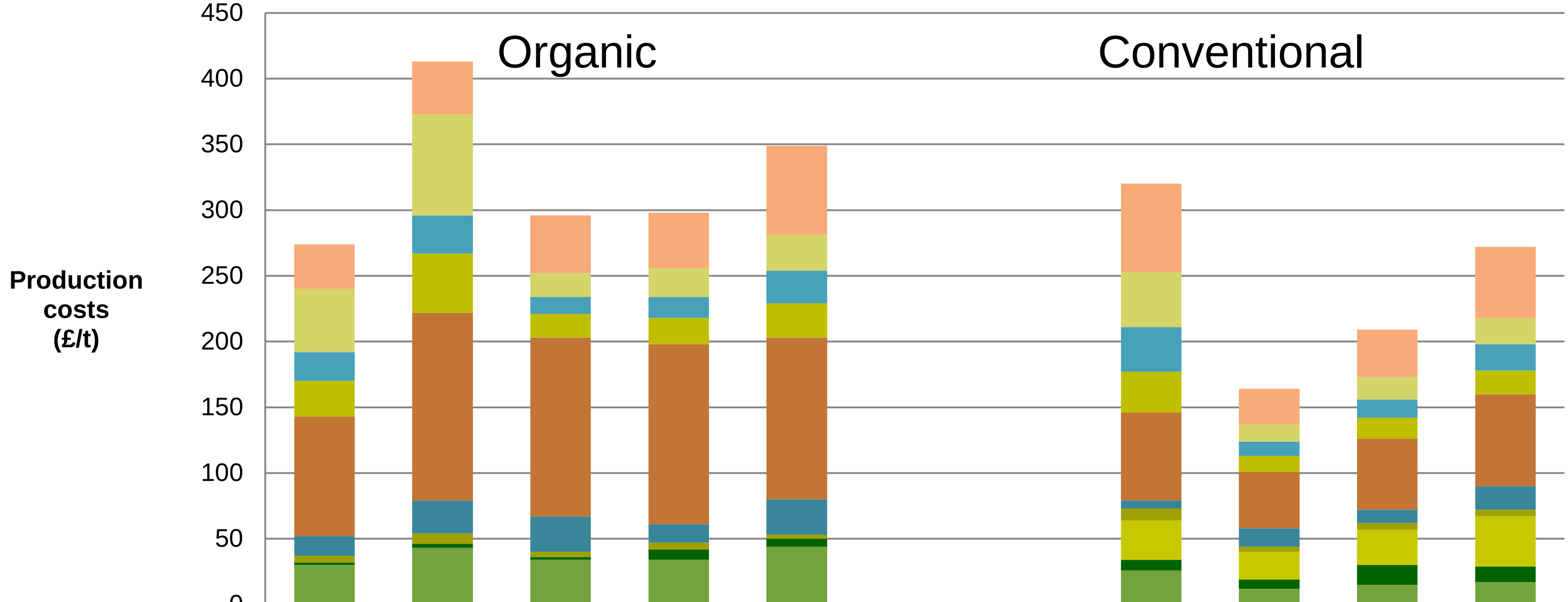
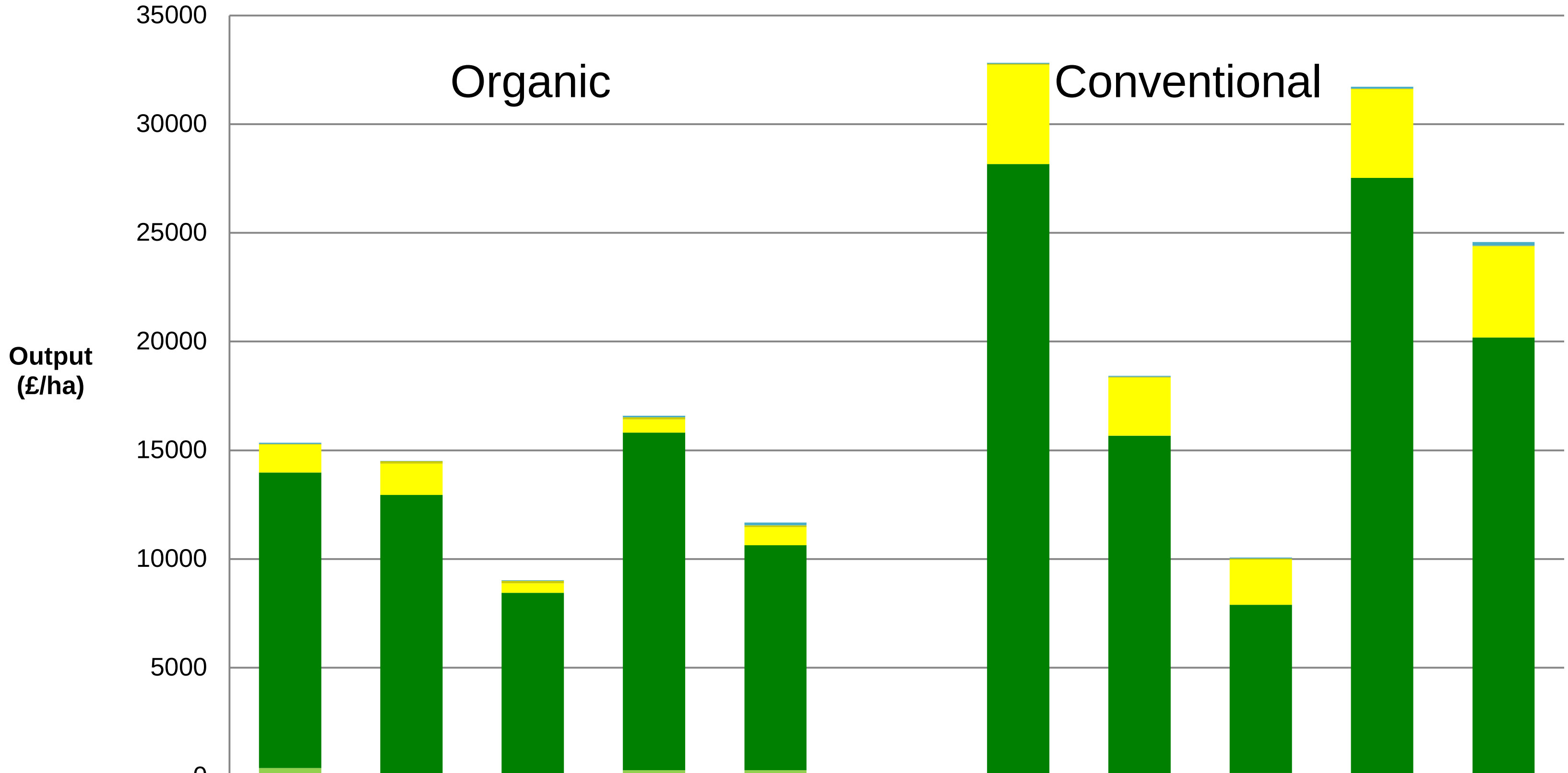
Field bean production costs (£/t)



	2006/07	2007/08	2008/09	2009/10	2010/11			2007/08	2008/09	2009/10	2010/11
Imputed costs	34	40	44	42	68			67	27	36	54
Rent and finance	48	77	18	22	27			42	13	17	20
General farm costs	22	29	13	16	25			34	11	14	20
Property	27	45	18	20	26			31	12	16	18
Machinery	91	143	136	137	123			67	43	54	70
Paid labour	15	25	27	14	27			6	14	10	18
Other crop costs	5	8	4	5	3			9	4	5	5
Crop protection	0	0	0	0	0			30	21	27	38
Fertilisers	2	3	2	8	6			8	7	15	12
Seeds	30	43	34	34	44			26	12	15	17

Horticultural holding outputs (£/ha)



	2006/07	2007/08	2008/09	2009/10	2010/11		2006/07	2007/08	2008/09	2009/10	2010/11
Other support	65	22	24	61	129		37	41	53	88	172
Agri-environment	21	112	114	98	94		63	36	55	26	29
Miscellaneous	1288	1438	433	611	821		4553	2671	2064	4071	4196
Crop outputs	13596	12912	8413	15528	10353		28018	15641	7743	27447	20098
Livestock outputs	383	35	38	288	286		150	30	159	87	88

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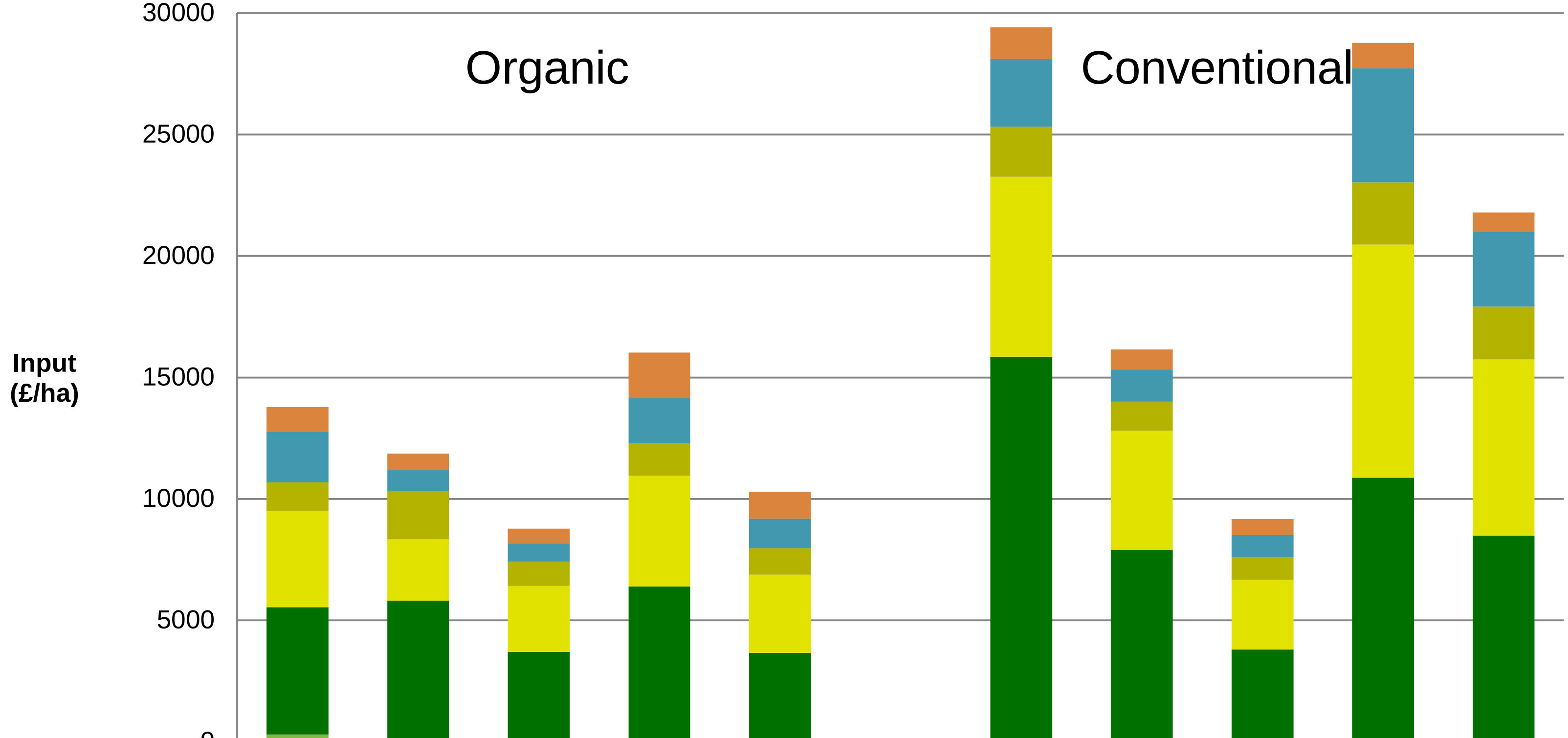
Horticultural holding inputs (£/ha)



	Organic 2006/07	Organic 2007/08	Organic 2008/09	Organic 2009/10	Organic 2010/11	Conventional 2006/07	Conventional 2007/08	Conventional 2008/09	Conventional 2009/10	Conventional 2010/11
Land and rent	1029	672	603	1890	1111	1301	817	654	1053	816
General	2071	854	760	1865	1225	2795	1344	929	4692	3067
Machinery	1172	2000	997	1323	1082	2057	1186	909	2562	2170
Labour	3967	2516	2721	4553	3219	7409	4894	2875	9603	7257
Crop inputs	5244	5787	3669	6309	3521	15789	7890	3733	10832	8439
Livestock inputs	299	28	28	89	138	66	27	69	35	50

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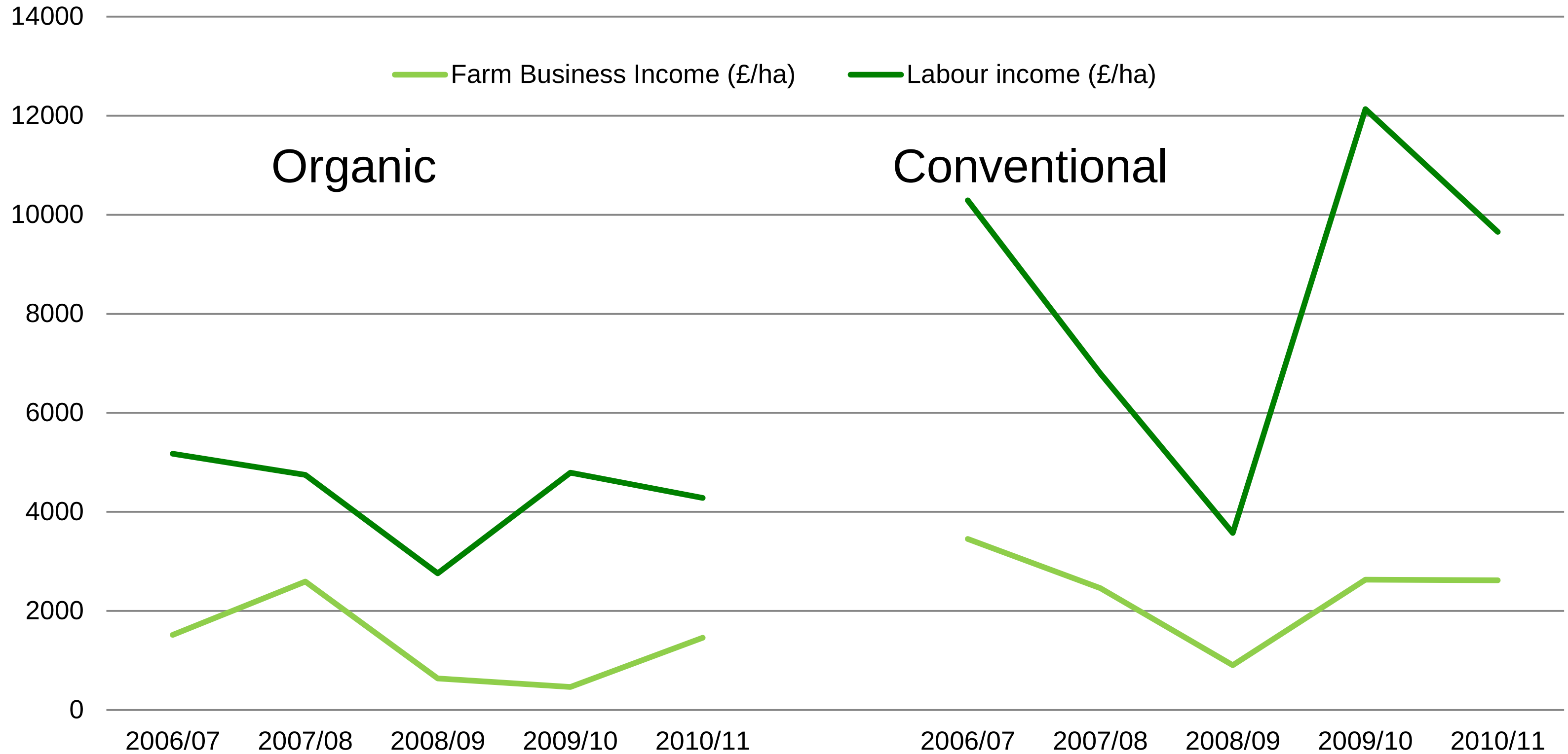
Horticultural holding incomes (£/ha)



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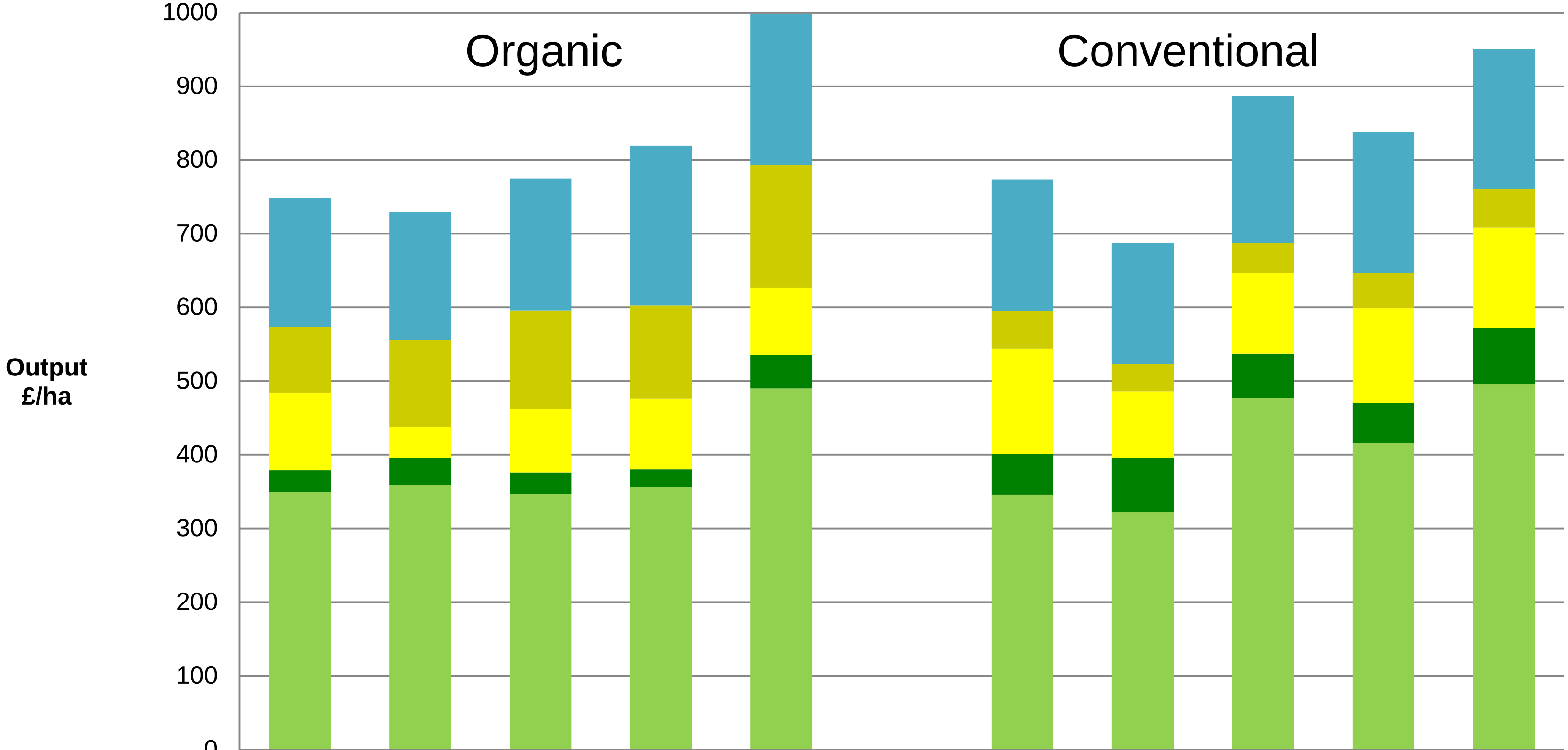
Lowland cattle and sheep outputs (£/ha)



	2006/07	2007/08	2008/09	2009/10	2010/11		2006/07	2007/08	2008/09	2009/10	2010/11
Other support	174	173	179	217	205		179	164	200	192	190
Agri-environment	90	118	134	127	166		51	38	41	48	53
Miscellaneous	105	42	86	96	91		143	90	109	128	136
Crop outputs	30	37	29	24	45		55	74	60	54	76
Livestock outputs	349	359	347	356	490		346	322	477	416	496

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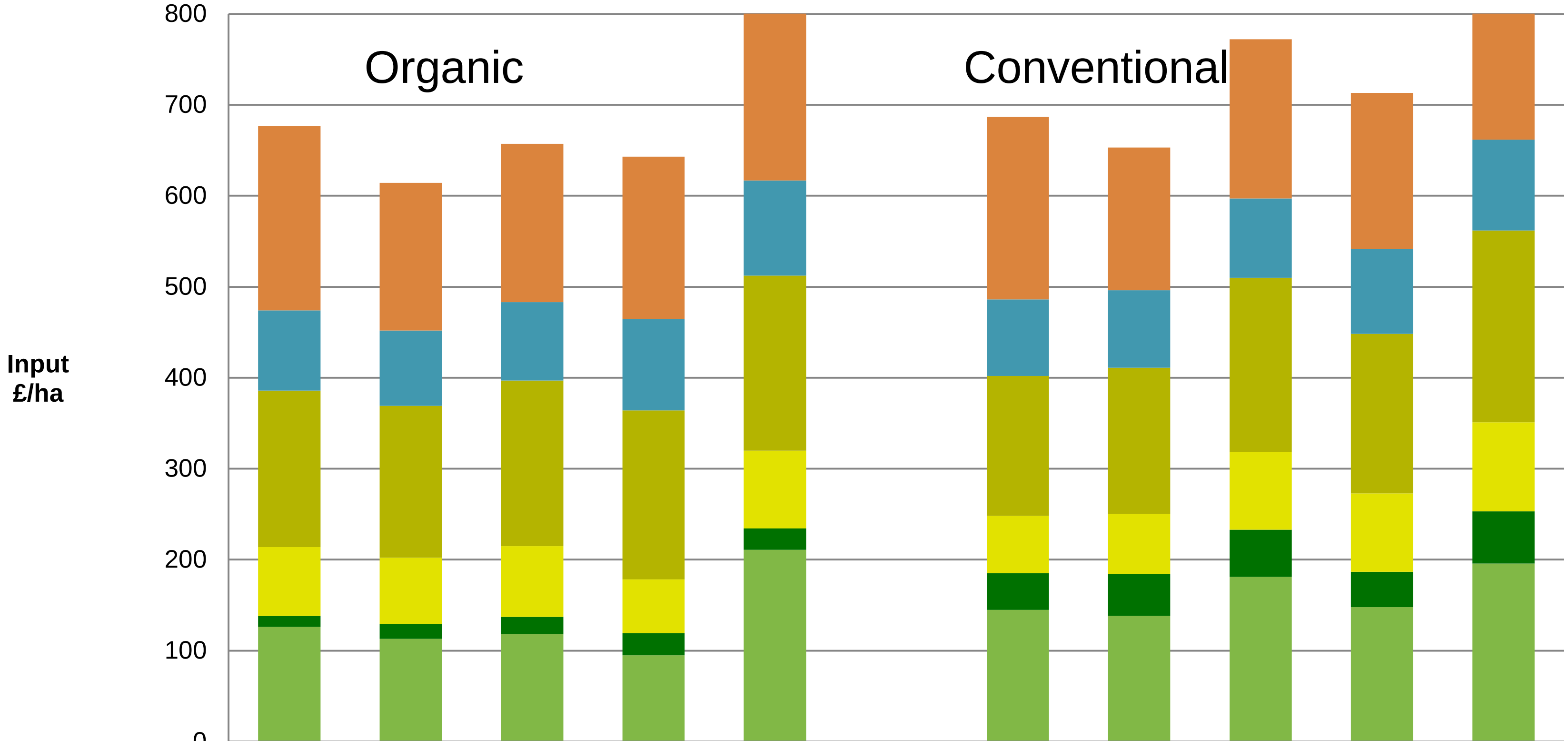
Lowland cattle and sheep inputs (£/ha)



	Organic 2006/07	Organic 2007/08	Organic 2008/09	Organic 2009/10	Organic 2010/11		Conventional 2006/07	Conventional 2007/08	Conventional 2008/09	Conventional 2009/10	Conventional 2010/11
Land and rent	203	162	174	179	240		201	157	175	172	187
General	88	83	86	100	105		84	85	87	93	100
Machinery	172	167	182	186	192		154	161	192	175	211
Labour	76	73	78	59	86		63	66	85	86	98
Crop inputs	12	16	19	25	23		40	46	52	39	57
Livestock inputs	126	113	118	95	211		145	138	181	148	196

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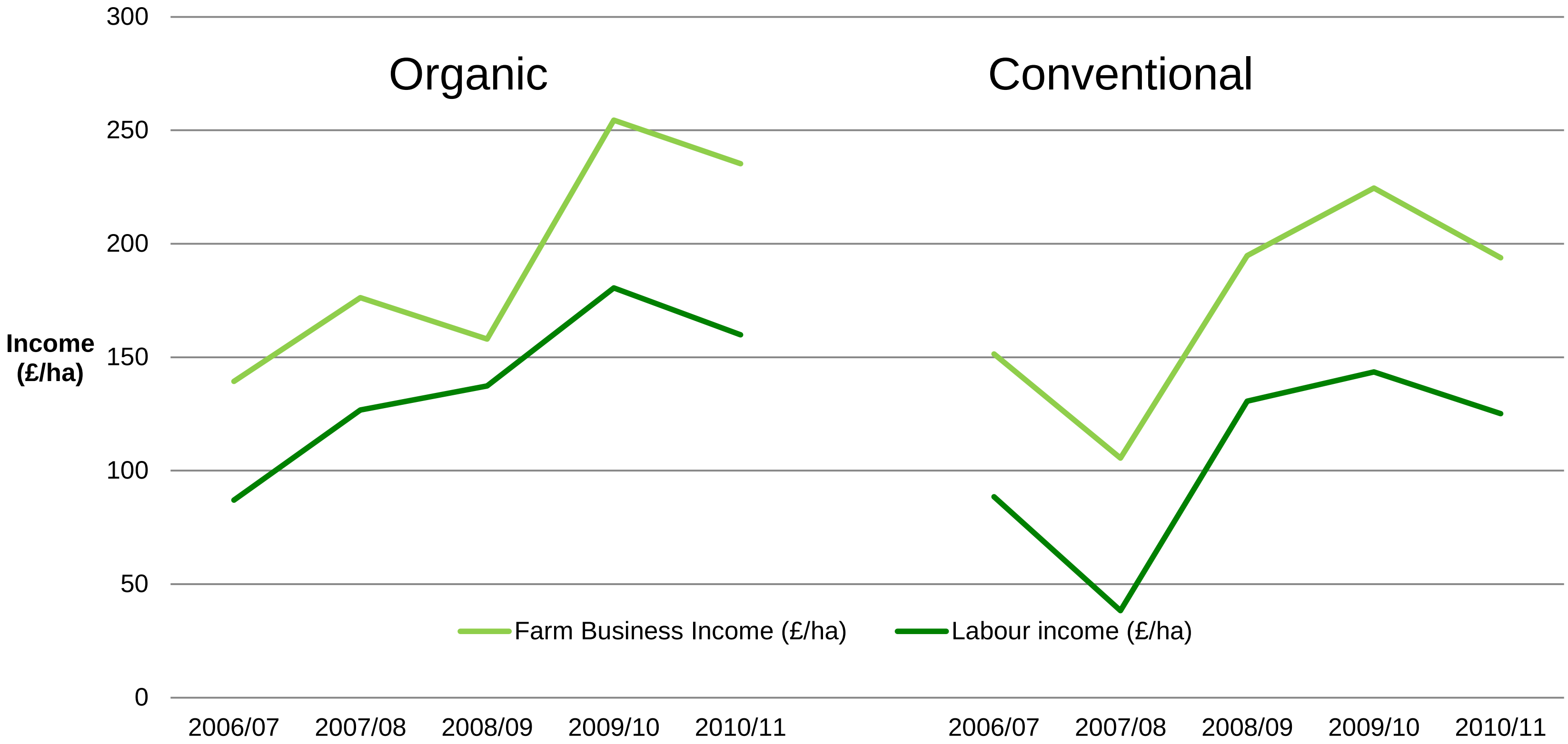
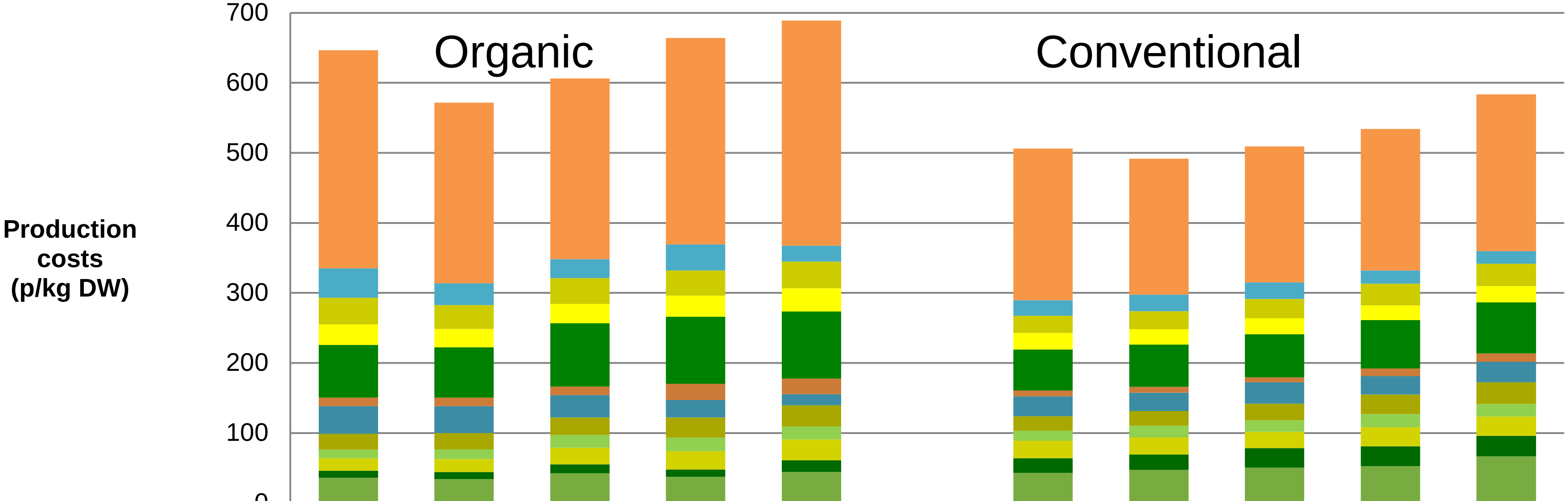
Lowland cattle and sheep incomes (£/ha)



Lamb production costs (£/kg DW)



	2006/07	2007/08	2008/09	2009/10	2010/11		2006/07	2007/08	2008/09	2009/10	2010/11
Imputed costs	312	258	258	295	321		217	194	194	202	224
Rent and finance	42	31	27	37	23		22	24	23	19	18
General farm costs	38	34	36	36	38		25	26	28	31	32
Property	29	27	28	30	33		23	22	23	21	23
Machinery	75	72	90	96	96		59	61	62	69	73
Paid labour	13	12	12	23	22		9	8	7	11	12
Flock replacement	39	39	32	25	16		29	26	31	26	29
Other livestock costs	22	23	25	29	30		20	21	24	28	31
Vet & meds	12	14	18	19	19		14	17	17	19	18
Other forage	18	19	24	26	29		25	24	23	27	28
Ferts, seeds & sprays	10	10	13	11	17		21	22	28	29	29
Concentrates	36	34	43	37	45		43	48	51	53	67

Conclusions

- In general, organic farms perform as well as comparable non-organic ones of similar types
- For crops, premium prices do matter – some prices, such as for field beans, are not sufficient to cover costs
- Some sectors, such as horticulture, face significant challenges (and pigs/poultry but no data)
- Livestock systems more comparable – less need for price premium, though affected by reliance on organic concentrates, particularly in dairy situation
- High conventional prices may create a floor above the level previously reached by organic prices
- Don't just look at the premiums – do a full analysis!