

The Organic Development Programme:- run by Organic Centre Wales delivering on behalf of Farming Connect



Costs of production and margins for Welsh organic milk, beef and lamb, 2009/10

Benchmarking data collected from 36 Welsh organic farms by the Welsh Farm Business Survey based at IBERS, Aberystwyth University, shown in Table 1 (overleaf), indicates that Welsh organic farms remained competitive with conventional farms in 2009/10. Organic output was higher for dairy and finished beef, similar for lamb and lower for suckled beef production. Organic variable costs such as feed were generally lower, but where organic yields per ha were also lower resulting in higher overhead costs per kg/litre output. Due to lower organic output per ha, the value of own resources used, (such as family labour), and support payments (such as the single farm payment) were also higher per kg/litre. Overall, organic enterprise net margins were higher than conventional systems, but part of this was due to higher support payments.

Milk

Data for 2009/10 indicated the organic milk price to be 7ppl higher at 28.8ppl, though milk output was lower at only 8683 litres per hectare. Organic feed costs were higher than conventional, though other variable costs were similar, resulting in a superior organic gross margin. However, due to lower output, fixed costs were higher, with total organic costs 21% higher at 23.5ppl. Overall, the organic net margin per litre was 7.1ppl, conventional at 4.2ppl. When farm resources and support payments are included the net margin was 2.2ppl and £124/ha higher.

Breeding Beef

The organic gross margin was higher at 75p/kg liveweight (LW), but total costs were also higher, resulting in a lower organic net margin of -86p/kg LW, the conventional data was also negative at -57p/kg LW. With the addition of farm resource costs and support payments the organic net margin improves to 197p/kg LW or £370/ha, considerably higher than conventional enterprises.

Finished Beef

Organic finished beef production indicated a slightly higher beef price but lower output per hectare. Lower variable costs were offset by higher fixed costs, resulting in higher total organic costs. The organic net margin was -35p/kg DW compared to conventional at -15p/kg DW. With the inclusion of support payments and farm resource costs the organic net margin was higher at 194p/kg DW and £315/ha.

Lamb

The organic and conventional lamb prices were identical, but the conventional lamb yield was around 43% higher. Organic variable costs were lower, but fixed costs were much higher per kg, resulting in a negative organic margin and a positive conventional margin. With the addition of farm resource costs and support payments the organic lamb figures improve significantly to a net margin of 307p/kg DW and £447/ha, both far superior to conventional levels.

Summary

In summary, the data highlights the lower inputs of organic systems, but higher fixed costs due to lower output per hectare. Both organic and conventional beef and sheep margins indicate the importance of

Organic Centre Wales • Factsheet F23 - May 2011

Published by Organic Centre Wales, Institute of Biological, Environmental & Rural Sciences (IBERS),
Aberystwyth University, Ceredigion, SY23 3EB. Tel. 01970 622248.

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support payments for producers to continue production. *For future planning, producers need to take account of support payment changes with the introduction of Glastir and future CAP reforms.*

Table 1 Welsh organic and conventional production costs and margins (pence per litre), 2009/10 (Source: Organic Farm Incomes 2009/10, 2010)

<i>Production system</i>	Milk (ppl)		Breeding beef (liveweight)		Trading beef (deadweight)		Lamb (deadweight)	
	<i>Organic</i>	<i>Conv.</i>	<i>Organic</i>	<i>Conv.</i>	<i>Organic</i>	<i>Conv.</i>	<i>Organic</i>	<i>Conv.</i>
<i>Holdings (n)</i>	7	107	12	53	6	23	19	106
Yield/ha	8683	12522	187	249	162	214	146	209
Price/litre/kg	28.8	21.9	128	140	312	299	328	329
Total output	30.6	23.6	138	150	392	317	344	345
Feeds	8.9	6.2	12	19	52	70	45	62
Veterinary and medicines	0.7	0.8	10	11	7	7	19	19
Forage	2.3	2.3	33	40	51	64	29	46
Other variable costs	2.8	2.3	22	14	49	34	29	28
Herd replacement	0.7	1.3	-13	12	-	-	25	26
Total variable costs	15.4	12.9	63	95	159	176	148	181
Gross margin	15.2	10.7	75	55	234	140	197	163
Labour	0.9	0.9	16	8	5	17	23	11
Power and machinery	3.7	2.5	64	55	114	78	96	69
Land and buildings	1.9	1.4	21	14	30	20	30	21
General farm costs	1.2	0.8	33	23	69	35	36	31
Rent and finance	0.5	0.9	27	12	49	6	37	19
Total fixed costs	8.1	6.5	161	112	268	155	222	150
Total costs	23.5	19.4	224	207	427	332	370	332
Net margin	7.1	4.2	-86	-57	-35	-15	-25	13
Net margin per ha	616	527	-161	-143	-56	-32	-37	26
Value of farm family's own resources	9.1	6.6	315	262	453	337	321	224
Tir Mynydd, agri-environment	0.8	0.4	140	76	126	39	270	55
Organic Farming Scheme support	0.9	0.0	59	0	79	0	80	5
Single farm payment	4.6	4.1	399	351	478	376	303	227
Net Margin incl. own resources and support payments	4.4	2.0	197	108	194	64	307	75
Net Margin incl. own resources and support payments (£/ha)	378	254	370	270	315	136	447	156

-Column totals may add up differently due to rounding.

-Value of farm family's own resources (imputed costs) include farmer and spouse unpaid hours, rental value of owner occupied farm land and capital costs are calculated at 6% of tenants capital less interest payments on borrowed capital.

Further reading

- Organic Farm Incomes in England and Wales 2009/10, IBERS, Aberystwyth University
- Welsh Organic Producer Survey 2010, OCW/IBERS, Aberystwyth University
- Organic Market report 2010, Soil Association
- Organic Farm Management Handbook (2009 edition), IBERS, Aberystwyth University/Organic Research Centre Elm Farm
- Upland Beef and Sheep Technical Guide, OCW/IBERS, Aberystwyth University/ADAS
- E-Market Bulletin, OCW (contact jnp@aber.ac.uk to receive this monthly market update email)

