

If you are a cereal farmer and you believe the headlines, the only worries you will have in future will be how to spend the profits and how to avoid too much tax!

Income from cereals is double that of two years ago and a common belief is that this new price order is here to stay. The generally accepted explanation for this seismic shift is the realisation that farming's capacity to produce grain is finite so, like oil, a product in short supply can only increase in value. If this analysis is accurate then the future policy for your farm must be to cultivate every square inch of land. So like the irritating TV advert... 'simples'. Or is it?

As I write, harvest prices for wheat and OSR have slipped to £155 and £353 respectively. In the middle of February these were trading at £170 and £365. In just two weeks the output for a 750 acre unit growing 3.5t/acre of wheat and 1.5t/acre of rape fell £26,000, i.e. the cost of a tractor driver. One reason behind this sudden fall, in what had been a rising market, is fund managers deciding to switch attention to the rising oil market (Libya and the Middle East to blame). However, less dramatic information about promising wheat crops in the Ukraine and Russia have fuelled speculation that the 2011 crop might be much better than the last and this argument is supported by the world wheat crop up 3% – the second largest on record.

How then should these events influence your farming policy? One response would be to say that even with a bigger world wheat crop it is unlikely that prices will crash back to sub £100 and, therefore, all will be well. This could prove to be correct. However my response is different. What the last two weeks have done is to remind us that what goes up can quickly come down again. None of us know

Greed is good



what wheat will be worth on 31 August 2011 but what we do know is that the factors influencing the future wheat price are numerous: economic conditions, world population growth, climate changes/local weather conditions, revolution, oil prices, etc. Thus, what we are likely to see is continued volatility and it is how we respond to it that could really make the difference.

At this point it serves us well to look back for a minute. In simple terms the last

decade has been pretty disastrous if we focus purely on the profits generated from growing crops and rearing livestock. However, the subsidy safety net – which many say should not support loss making enterprises – have kept many afloat. A combination of the Single Farm Payment and various stewardship schemes have brought vital income when it was really needed.

So is this where we reach a crossroads? Do we now throw caution to the wind and crop every acre possible or do we opt for a more prudent approach and retain the subsidy 'insurance' schemes? This is a more complicated question than it first seems. Everyone will wish to see the (soon to be reformed) Single Payment scheme maintained even if the NFU and CLA seem to

accept that a 10-20% reduction is on the cards. If the ministers responsible for agreeing a new structure make the assumption that the European agricultural sector has uniformly benefitted from the increase in cereal prices (which of course it has not) then cuts of a greater magnitude are foreseeable. Nevertheless most, if not all, will continue to claim this life blood payment. But what if the reformed scheme is more restrictive with even more focus on environmental protection? If cereal prices stay high could some be tempted to farm free of bureaucratic handcuffs?

These arguments are also valid for stewardship schemes. It is true that many farmers have come to enjoy the unanticipated environmental benefits that the ESA, Countryside Stewardship, HLS and ELS schemes have brought. But let's not kid ourselves, most have participated because they have provided significant income when times have been tough. So, when Natural England have less money for new and replacement schemes will some call time on environmentally sensitive farming in favour of a bigger heap?

Hindsight will eventually tell us what course of action we should have taken but for me the thought of a farming business completely exposed to the vagaries of the world market without any safety net whatsoever sends a shiver down my spine. So as Gordon Gekko would say "greed is good" – lets have both!



Matthew Berryman
Complete Land Management
01732 861499



**COMPLETE LAND MANAGEMENT
FOR EVERY SEASON**

- Farm & Estate Management
- Rent Reviews
- Environmental Stewardship
- Ecological Surveys for Planning
- Renewable Energy



Call us on 01892 770339 or email info@c-l-m.co.uk www.c-l-m.co.uk