

# Quarterly News Update

Newsletter 2,

February 2008

Welcome to the second newsletter from Creedy Associates. We had some really positive feed back from our first and we hope you find this one useful.

Lots has happened in the intervening months, dairy farmers are at last seeing the promised increase in milk price. Arable farmers are seeing unprecedented values for their wheat and oilseed rape and now finally, there is some good news for beef farmers.

**NVZ's—** At the same time the NVZ discussions continue to rumble on with the final announcement set to be made in the next few months.

**ELS—** In the mean time the ELS budget has been agreed via Brussels. No major changes apart from the fact that management plans can no longer be used to generate points. If you think this may affect you please give us a call.

**Finally Hot off the press.....**

**CSF—** Those of you in one of the 40 Catchment Sensitive Farming (CSF) priority catchments will be pleased to hear that funding has been found to continue the programme for what is likely to be the next 3 years. It is hoped that more diffuse pollution focused events and a capital grant scheme, similar to that rolled out last summer will be launched. In the next financial year.

## Don't Be Negative About Inflating Prices

After learning of farmers concern that increasing input costs are likely to overshadow increased milk prices we felt it was important to set the record straight and do our bit to re-enthuse those loosing heart! Milk prices have increased dramatically since last summer, primarily as a result of the imbalance between UK, European and world milk production and global demand.

**Our predictions suggest an average annual increase of 7ppl is on the cards!**

For the same, supply and demand based, reasons input costs have also risen and in the case of fertiliser, feed and energy costs skyrocketed. In an attempt to estimate the impact of this "input cost inflation" we have tried to predict the likely increases in individual production costs and used them to produce a Comparable Farm Profit (CFP) cost of production forecast for the coming year. As mentioned above we have used the same CFP format outlined in the last newsletter. We would urge you to note that several key income (Single Payment) and costs (finance costs) are not included in CFP and as a result CFP should not be used to review overall farm profit. CFP aims to compare dairy farm performance alone

Fig 2 shows the results of our prediction and suggests that the biggest predicted

Fig 1 Average CFP figures (March 07 year end) Creedy Predictions (Yr ending March 09)

	Average	Change	Predictions
<b>Total Income</b>	18.7	+7ppl	25.7
<b>Expenses</b>			
<b>Purchased feed</b>	5.0	+50%	7.5
<b>Labour (paid + unpaid)</b>	4.3	+3%	4.4
<b>Vet/Med</b>	0.9	+5%	0.9
<b>Breeding/AI/recording</b>	0.5	+5%	0.5
<b>Fertiliser &amp; Lime</b>	0.8	+100%	1.5
<b>Seeds &amp; Sprays</b>	0.8	+10%	0.5
<b>Straw, additives, plastic</b>	0.8	+3%	0.5
<b>Parlour sundries</b>	0.6	+3%	0.6
<b>Power &amp; Machinery</b>	3.5	+25%	4.4
<b>Depreciation &amp; leasing</b>	2.0	static	2.0
<b>Sundry overheads</b>	1.3	+3%	1.3
<b>Repairs land &amp; buildings</b>	0.6	+10%	0.7
<b>Total Expenses</b>	20.2	+22%	24.7
<b>Comparable Farm Performance</b>	-1.5		1.0

input cost rises will be for feed, fertiliser and power / machinery. Overall costs are predicted to rise by 22% or 4.5 ppl.

While increases of this level, in one year, are unprecedented and worrying they are not equal to our predicted increase in milk income (7ppl). Overall CFP performance increases 2.5 ppl from a negative to a positive and as a consequence we continue to believe that dairy farming prospects are very optimistic.

Our and your effort over the coming months should be focused on limiting the impact of cost price inflation on your business. Efforts will be doubled to challenge and justify the use of increasingly expensive farming inputs.



