

Rural Business Note

18th April 2011

Key recent issues:

- Wheat price maintains record high levels – now £210/tonne
- Major problem for livestock producers
- Land prices reach new highs
- High asset values mean capital to invest

The price of wheat has risen from £80/tonne one year ago to £210/tonne today. As well as providing a higher return to arable farmers by generally doubling their income for the next year, it means that pig farmers, poultry farmers, and other livestock producers suffer from higher costs.

This basic commodity price rise also affects the bakers, sandwich shops, butchers, and food stores that supply the small market towns of the East Riding.

The price of agricultural land went up by 18% in the east of England last year – a similar rise is expected this year. Most of the East Riding is classed as good to excellent farmland. The price of good quality farmland in the East Riding can be £10,000/acre. Four years ago, this would have been around £4,000/acre.

Due to economic requirements to increase the scale of operation, and the price incentive to produce more, farm employment may actually reduce due to these price rises. Larger machinery, collaboration between farms, and the use of specialist contractors all contribute towards this.

In several cases where commercial property assets (warehousing, development land etc) have been put up for sale, they have sold through the agricultural sector rather than their usual marketplace. Banks see most agricultural businesses that own farmland as asset rich and thus a good credit risk. There are a number of farm diversifications and job creating rural business developments that could be funded through the growth in value, including tourism and renewable energy ventures.

Due to the scale of investment and operation required to set up enterprises such as livestock units and renewable energy operations, there is often a planning issue. Feedback from the rural planning seminars held last week has been that this is still a very complicated area, with many pitfalls for the applicants. There was concern that a move towards localism will restrict further the opportunities available in the rural economy.

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