Nature's Bounty

Hill Farming: Interim Conclusions

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1. Observations

1.1. Farming is the endeavour by which natural resources can be used to deliver food produce to satisfy market demand and provide commercial gain for the entrepreneur

- Its main obligation is to do so sustainably (i.e. without de-capitalising the land asset to a point of infertility or de-capitalising the biodiversity to the point of red listing)

1.2. Hill farming is faced with overcoming three natural disadvantages

- Latitude (which affects sunlight hours)
- Elevation (which affects temperatures)
- Precipitation (which affects the maximum water holding capacity)

2. Strategic Imperatives in Livestock Farming

2.1. The growth and conversion of grass into meat is currently the only drive for hill farming

- The natural limits imposed by the availability of grass throughout the year results in there being a maximum sustainable output (MSO) for each animal group on each farm
- There will also be for each farm an optimum allocation of grassland into grazing areas and production areas for winter forage
- Production volumes beyond the MSO level will draw in new and additional corrective variable costs (CVCs), such as fertilisers, sprays, purchased concentrates and winter forage sourced from some distance, either as baled hay/silage or as over-wintering away from the farm, and these invariably ensure that hill farming, with its tight margins at best, suffers a reversal in profitability

3. Tactical Issues in Hill Farming Practices

3.1. Hill farmers as a group are poor in adopting the minimum of sound business practices

- Few manage cash flows; few undertake realistic budgeting; even fewer attempt (or understand) a break-even analysis of activities and none manage their businesses by measuring returns on total assets

3.2. Most hill farmers that make an “accounting profit” and become liable for tax, only do so after significant subsidies and/or the financial support of a spouse’s income or other non-farming related income

- Yet these farmers are often encouraged by professional advisers to minimise their tax liabilities by acquiring new capital machinery
- This advice is catastrophic; expensive new machinery drags in additional expensive repair and maintenance costs and the low utilisation (inevitable) of the equipment ensures that it will invariably be left to rust and decay without having delivered any real utility

4. Unhelpful Obstacles in the Path to the Marketplace

4.1. Most abattoirs not only kill animals; they also kill-off most attempts by the farming sector to develop branded products by reducing meat produce to the status of undifferentiated commodities

- At this point everything turns on price and this favour’s the least-cost producers, the purveyors of sharp practices, and the dumping of foreign surpluses

4.2. Many supermarkets, inevitably with a purchasing power with orders-of-magnitude greater than even a large farm unit, simply bully farmers on price

- This leads to the demise of profitable farming and the ultimate reliance on deals with regional EU co-operatives. (NB Much of the Calais – Dover lorry traffic is the movement of low value / high bulk commodity produce from Holland, France, and Spain)

5. Future Strategy for Hill Farmers

5.1. To deliver meat products up to the MSO position

- This will maximise margins (and margins are a superior business driver to volumes)

5.2. To maintain the landscape and protect its environmental capital; income should be forthcoming for water capture, carbon capture, and recreational amenity

- Society, ultimately through taxation, should fund the income payments

5.3. To explore new opportunities for added-value and premium price products

- Branded meat products with full traceability
- New markets for wool products such as regional tweeds (the high-end) or insulation (the low-end); and new markets for hides (footwear, clothing, and industrial goods)

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