



Food Animal Initiative

ENVIRONMENTS FIT FOR ANIMALS FIT FOR THEIR ENVIRONMENT

FAI Technical Datasheet C5 - Beef production after decoupling - Update August 2005

Full decoupling i.e. the removal of production subsidy in favour of a direct payment has now been agreed for England and takes place from April 2005. Thus only those enterprises which are economically viable post subsidy will continue in the long term. Subsidy culture has allowed farmers to operate successfully without recourse to markets - volume in relation to subsidy being the main driver. There is concern that decoupling will encourage more industrial agriculture (as costs are driven out) with attendant problems of poor animal welfare, food safety and environmental care. Differentiation in the food market is underway as happened in the car industry many years ago and food purchasers from butchers, to caterers to direct customers have varying and increasingly exacting requirements. The issue for farmers as with any business is whether a profit can be made.

'the facts.....'

Much agricultural production has been subsidised since the war when the UK had found itself in a situation where current agriculture could not feed the country. The current situation with avian influenza has highlighted the importance of home supplies.

Incentives to produce more based on payments for quantity were immensely successful and we have been well fed ever since. Recent changes have occurred in public interests i.e. both the environment and animal welfare are higher on the list than in previous years.¹

Many of the systems developed to feed the nation are now criticised for poor animal welfare (battery cages) and environmental pollution (the use of bag fertiliser). Farmers have not responded well to consumer concerns as profit has usually equated with production subsidy and this has been the commercial driver.

Currently the EU produces and consumes approx 7m tonnes of fresh beef whereas global consumption is in the order of 50m tonnes and rising. Most beef is consumed within the country in which it is produced. Thus total beef available for export is about 6m tonnes.² Significant decrease in EU beef production could put pressure on available world supplies unless increase in global production occurs to match any shortfall. This could result in increased global beef prices. The ability of exporting countries to increase production, the future of tariffs in relation to beef prices, the willingness of consumers to pay more for UK beef are key information for UK farmers.

'.... the FAI response!'

Bearing in mind the facts as described here and the current extremely low prices FAI believe there is a future for beef farming in the UK. Direct payment gives farmers a buffer to take the opportunity if we wish to use it in this way. The major differentials for efficient beef farmers without subsidy lie in:

1. The purchase price of the calf
2. The sale price of the finished animal

Prior to decoupling efficient beef finishers were making in the order of £100+ per finished animal. Using the finishing of pure dairy bulls as an example there was about £200 of subsidy on each bull slaughtered (slaughter premium and beef special premium) which equates to about 74p per kgdw on a 270kg carcass. Thus beef prices would need to rise by this amount for the situation to remain static - an increase from around 175 to 249p per kg dw.

To take advantage of opportunities farmers must have:

1. Knowledge of global and local markets e.g. if global beef supplies are set to shorten prices will rise
2. A comprehensive understanding of the cost of production on the farm i.e. how much it costs for each kg of beef to be produced
3. A comprehensive understanding of markets i.e. what are selling points and what value do they have?

This may mean that there is a greater profit to be made from rearing dairy bull calves than from continental cross calves or using cattle buildings for more profitable enterprises and grass finishing or promoting some aspect of production such as local. In addition there are some opportunities for contracts which may buffer the highs and lows of the market.

1.IGD Report 2003 The teenage diet now and in the future p39 www.igd.com Tel 01923 857141

2.USDA World Beef statistics 2002 www.cattlerange.com/world-beef



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