

Summary

Recent developments in the results and incomes realised in the agricultural and horticultural sectors, 2009

General situation

In 2009, the agricultural and horticultural sector was hit hard by the economic recession (credit crisis) that began in the second half of 2008. Although production volumes were not influenced by the recession, sales of many products were lower than in times of normal economic conditions. Exports were hampered by the credit problems and the weaker currencies of various countries. Exports are of particular significance to the Dutch agricultural and horticultural sector since the majority of the produce is destined for foreign markets. The agricultural markets are characterised by the potential high volatility of prices following slight changes in supply or demand. As a result, the decline in demand in a number of markets seen in 2009 was in part the reason for a substantial decline in the price of many products. This in turn – and following the substantial decline in the results for 2008 – resulted in a further considerable decline in the results achieved by the overall agricultural and horticultural sector in 2009. The lower prices reduced the margins between sales proceeds and the costs in the agricultural and horticultural sector and, in turn, resulted in a sharp decline in incomes.

Large differences are evident in the movements in the income of the various agricultural and horticultural sectors (Table 1). Incomes fell in most sectors: in a number of sectors the average farm incomes even moved significantly into the red in 2009. The sole exception was the layer farming sector, which recorded a significant improvement in farm income after the poor year of 2008.

The number of agricultural and horticultural holdings has declined by about 3% per annum in recent years, a trend that also continued in 2009 (Table 2). The number of greenhouse horticultural holdings once again exhibited a particularly sharp decline in 2009. This rapid fall in the number of holdings has been due to factors including the restructuring of the sector. However, the deterioration in the operating results in recent years now also plays a role. The decline in incomes in 2008 and 2009 and the increased financial uncertainties have resulted in a lower level of investments. Moreover, the opportunities for investments are also restricted by the financiers' more reticent attitude to providing credit.

Situation in each type of holding

Cattle farming

The income of dairy farms fell very sharply in 2009 and, on average, moved into the red for the first time following the unparalleled rapid decline in milk prices, which fell by more than a quarter in the year under review. The estimated lower income is in part due to the introduction of the amortisation of milk quotas in the years leading up to their abolition in 2015. The lower costs, in particular of animal feed, were insufficient to compensate for the tremendous decline in proceeds: the average income moved into the red in 2009. Some dairy farms were confronted by liquidity problems in the months in which milk prices were at an extremely low level, although these have been alleviated by the increased milk prices in recent months. The dairy farms' proceeds/cost ratio (yield) fell sharply from 90 in 2008 to 69 in 2009. The operating income per unpaid ALU (Annual Labour Unit) decreased from 39,000 to -6,000 euros. Although the average farm was still able to save a relatively large amount in 2008, as was also the case in previous years, a significant draw down on assets was necessary in 2009. The organic dairy farms' operating income per unpaid ALU also fell sharply in 2009, and also moved slightly into the red. The average income of the organic dairy farms was slightly higher than the income of the conventional dairy farms in 2009.

The income of beef cattle farmers remained at a low level in 2009, notwithstanding the lower cost of cattle feed. Veal farmers will record an approximately unchanged income in 2009 with stable contract payments and declining manure disposal costs. Sheep farmers will record an increased cash balance per ewe in 2009 due to the lower feed prices at unchanged sale prices per animal.

Table 1	Profitability and income (x 1,000 euros) on agricultural holdings						
	Proceeds cost ratio		Farm income per unpaid a.w.u.		Total income per holding		Change a)
	2008	2009 (e)	2008	2009 (e)	2008	2009 (e)	
Total	90	83	26	3	56	24	-
Dairy farms b)	90	69	39	-6	72	7	---
Veal farms	86	86	36	37	.	.	0/+
Pig farms	92	90	12	10	34	33	-/0
- pig breeding farms	91	98	9	51	28	83	+++
- pig fattening farms	94	85	29	-5	49	19	--
- integrated pig farms	91	88	0	-9	18	7	-
Laying-hen farms	89	113	-5	135	6	200	+++
Broiler farms	95	98	-3	36	17	55	++
Arable farms	91	90	40	41	55	60	0/+
- starch farms	97	91	53	41	57	60	0/+
Greenhouse horticultural holdings	92	84	1	-62	-4	-102	---
- vegetable holdings	91	76	-19	-132	-24	-220	---
- cut flower holdings	90	81	-3	-57	-26	-99	---
- pot plant holdings	99	97	39	27	65	54	-
Mushroom farms	100	93	47	17	.	.	--
Open-air vegetable holdings	87	84	23	9	.	.	-
Fruit farms	93	84	42	20	.	.	-
Bulb growing businesses	84	79	-10	-34	.	.	-
Tree nurseries	101	97	56	47	.	.	-

a) Change of total income (last five groups: farm income per unpaid awu.); -/0/+ = + or - maximum 5,000 euros; - or + = 5,000-25,000 euros; -- or ++ = 25,000-50,000 euros; --- or +++ = >50,000 euros; b) Farm income per unpaid awu in 2009 excluding depreciation milk quota: 7,000 euros.

Intensive livestock production

The costs of the intensive livestock farming sector decreased sharply in 2009 due to lower feed prices. After the 2008 harvest the decrease in the grain prices initiated a trend towards lower feed prices that has continued in 2009. The movements in operating income once again varied greatly by type of animal in 2009, depending on the trend in the sale price per animal.

The pig farming sector recorded lower prices for porkers and higher prices for piglets in 2009 as compared with 2008. The lower feed prices resulted in a

significantly higher cash balance per sow, while the cash balance per porker was substantially lower as compared with 2008. As a result, the movement in income recorded in 2009 as compared with 2008 varies greatly with type of pig farm, with a significant improvement for sow farms, a substantial deterioration for porker farms and a slight fall for closed farms. The average pig farm's operating income amounted to 10,000 euros per unpaid ALU in 2009, a low level that will compel many pig farmers to draw down on their equity for the third year in succession.

The income generated by egg farms increased significantly in 2009, in particular due to the increased price of eggs. The average operating income reached an unparalleled level in 2009, after a negative result in 2008. This improvement will offer egg farmers scope to strengthen their equity position in 2009. The income of farms producing free-range eggs was not higher than farms producing battery eggs, even though the price of free-range eggs increased more sharply.

Broiler farms also enjoyed a better year in 2009 as compared with 2008. Although the average sale prices were lower than in 2008, on balance the greater decrease in feed prices yielded increased operating results. However, the recovery was only modest in comparison with the substantial increase in the egg farmers' income.

Arable farms

In 2009, the average arable farm's income remained unchanged from the level in the previous year after the decreases in 2006 and 2007. The lower prices of ware potatoes, cereals and sugar beet were compensated for by the increased harvests of the crops. In addition, onions are expected to command a higher price. The profitability of the arable farming sector amounted to 90% in 2009. The average operating income per unpaid ALU remained at about 40,000 euros in 2009. However, the operating income per unpaid ALU of farms cultivating large crops of starch potatoes fell to about the same level as the average arable farm. The estimated average income of arable farms leaves no scope for strengthening their equity position.

Greenhouse horticulture

The results achieved by the overall greenhouse horticulture sector in 2009 were considerably worse than in 2008, when they had already exhibited a substantial decline from the level in 2007. The average income decreased by about 100,000 euros per holding and about 60,000 euros per unpaid ALU. The greenhouse horticulture sector was confronted with dramatic results in 2009,

with incomes in the red at both greenhouse vegetable holdings and cut-flower holdings. Solely the pot plant and bedding plant holdings were able, in spite of a decline, to achieve an income in the black. The greenhouse vegetable holdings were confronted with the severest decline in income, amounting to more than 100,000 euros per unpaid ALU. The income of cut flower holdings per unpaid ALU also fell sharply, by more than 50,000 euros. The pot plant and bedding plant growers were also confronted with a decline in income, albeit 'only' more than 10,000 euros per unpaid ALU. These lower incomes were due to the substantially lower prices of the most important products, as well as the higher costs including the further average increase in gas prices, an important cost factor for the entire horticultural sector. The wide variation in the income within the greenhouse horticultural sector is due to factors including the variation in the results for each crop, differences in scale and the differences in operations: some holdings supply electricity to the national grid but other holdings do not. The profitability of each segment of the greenhouse horticultural sector fell sharply in 2009, although the decrease varied greatly between the segments: 15 percentage points in the greenhouse vegetable sector, 9 in the cut-flower cultivation segment and 2 in plant cultivation segment. On average, the profitability of the entire greenhouse horticultural sector fell to a record low of 84% in 2009. Consequently, many greenhouse horticultural holdings will be compelled to draw down substantially on their assets. In addition, many holdings in the vegetable sector and ornamental plant sectors are confronted with liquidity problems. The poor results have led to a sharp fall in investments: many holdings are now focused on survival. The current conditions have compelled a number of holdings to terminate their operations.

Mushroom cultivation

The results achieved by mushroom holdings declined significantly in 2009: the prices commanded by their produce, in particular in the fresh market, fell sharply. The sector's profitability amounted to 93%. The estimated operating income per unpaid ALU achieved in 2009, 17,000 euros, does not offer scope for savings.

Open field horticulture

A significantly poorer result is expected for open field vegetable horticulture in 2009 as compared with the previous year. The decline in income is primarily due to the lower prices of the crops. The results achieved by bulb-growing holdings in 2009 – as in the previous year – declined substantially due to the disappointing prices. In 2009 the holdings will generate a negative operating income

for the second consecutive year. Fruit growers were, after a number of reasonably good years, confronted with a sharp fall in their income in 2009. The prices of apples and pears fell due to increased supplies as compared with 2008. Incomes achieved by tree nurseries fell in 2009, since the increase in costs outweighed the increase in the price of their produce. The tree nursery segment is the only segment of the open field horticulture sector to achieve a reasonable income in 2009.

The overall situation in the sector

In 2009, the entire agricultural sector was confronted with a sharp fall in income for the second consecutive year. Although the volume of the sector's production increased by almost 3% in 2009, the price of the products fell by almost 9%. As a result, the entire sector's production value fell by more than 6% to almost 22.5 thousand million euros (including agricultural services) in 2009. Within this total the production value of plant products fell by about 4.5%, less than the almost 11% decline in the production value of the livestock farm products. This year's total production value of the horticulture sector is approximately the same as that of the livestock sector (more than 8.5 thousand million euros), while the production value of the arable farm sector – including fodder crops – amounts to more than 2 thousand million euros.

The cost of the goods and services purchased by the agricultural and horticultural sector fell by about 4.5% in 2009, primarily due to the approximately 15% lower cost of animal feeds and fertiliser. On balance, the net added value of the sector decreased by more than 15%. The net operating income for the families of the farmers or horticulturalists – after the deduction of interest payments, wages and long-term leases – fell even more sharply, namely by almost 50%. It is striking to note that in 2009 the total amount of the subsidies received by the agricultural sector, primarily comprised of farm payments, is slightly higher than the sector's net income of 800 million euros. When account is taken of the decline in the number of farms and inflation then the purchasing power of the farm family's operating income fell extremely sharply in 2009.

A comparison of incomes in the agricultural and horticultural sector with those in the small and medium-sized enterprise sector (SME) reveals that incomes in the agricultural and horticultural sector exhibit greater fluctuations and that the average income generated by agricultural and horticultural holdings was lower than the average income in the SME in 2008 and, in particular, in 2009. In previous years, the incomes in the agricultural and horticultural sector had been higher. Movements in incomes in the SME are more stable and less dependent on market and price movements than in the agricultural and horticultural sector.

The credit crisis also resulted in a decline in the SME's income in 2009. The SME's relatively stable wage costs in recent years are of importance to the sector. Wage costs have and will decrease in 2009 and 2010 due to a significant reduction of the number of jobs in the SME (EIM, 2009).

In 2008 and 2009, as was the case in the two previous years, the development in the Netherlands' agricultural and horticultural sector incomes is expected to lag behind that in other EU countries. In 2006 and 2007, the increase in the income in the Netherlands' agricultural and horticultural sector still ranked high in the EU.

	2000	2005	2008	2009	Change (%)
Total agriculture and horticulture	97,480	81,830	75,150	73,010	-2.9
Dairy farms	26,820	21,330	18,590	18,330	-1.4
Veal farms	1,280	1,130	1,240	1,180	-5.1
Pig farms	6,060	4,290	4,060	3,890	-4.2
- pig breeding farms	2,090	1,510	1,300	1,230	-5.3
- porker farms	2,420	1,680	1,770	1,720	-3.1
- closed pig farms	1,550	1,100	980	940	-4.7
Laying-hen farms	660	570	520	540	+3.8
Broiler farms	540	370	340	310	-7.6
Arable farms	13,750	12,360	11,180	10,920	-2.3
Greenhouse horticultural holdings	7,910	6,080	4,830	4,460	-7.5
- vegetable holdings	2,640	1,960	1,570	1,460	-6.8
- cut flower holdings	3,610	2,760	2,130	1,930	-9.6
- pot plant holdings	1,650	1,360	1,130	1,080	-4.7
Mushroom holdings	520	320	230	210	-11.5
Open-air vegetable holdings	1,460	1,080	1,040	980	-5.9
Bulb growing businesses	1,340	1,060	950	880	-6.8
Fruit farms	2,210	1,810	1,740	1,720	-1.6
Tree nurseries	2,430	2,210	2,190	2,150	-1.7

Source: CBS (Statistics Netherlands) agricultural census, provisional data for 2009.