

Five-Year Financial Analysis of two Commercial Farms Converting to Organic: 2000-2005.

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To determine the effect on farm profitability of conversion to organic status on two Scottish farms, physical and financial records were used to compile management accounts according to the Scottish Executive Farm Accounts Scheme (FAS) procedures. Accounts were adjusted so that all land was tenanted, with rental charged on owned land; family labour was charged at manual wage rates on hours worked; and all interest charges were excluded. Farm 1, in east Scotland, had cereals, seed potatoes, beef and sheep. Conversion was phased; investment in refrigerated potato storage allowed organic vegetable production with increases in labour and machinery costs. The farm used a seven year rotation of 4 years grass, potatoes, vegetables, and undersown barley. Farm 2, a 300 - cow dairy unit in southwest Scotland, all in grass or whole crop cereals, reduced cow numbers to 200 and labour by one. Stocking levels had to be reduced on both. During the conversion period, when no organic premium was received although variable costs were reduced, the organic aid payments did not maintain profitability. Phased conversion may reduce this effect. Structural adjustments to reduce fixed costs or increase income using new enterprises may be required to maintain income which is dependant both on the premium for organic produce and organic aid payments.

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