

CHAIRMAN'S REPORT 2009

It is with great pleasure that I am able to announce another record profit of £2,786,768 on a turnover of £107,353,550. This will allow us to issue a traders' rebate of £15/£1,000 paying back £1,120,219 to our members. Whilst remaining competitive, we continue to pay back significant sums to our members and put over £1 million to reserves which strengthens our balance sheet and reduces our dependence on outside sourcing of finance – a major criteria in current times.

Our business in N.E. Scotland has performed extremely well as we continue to increase our range of products on offer. ACT Wrekin has also gone from strength to strength and everyone involved should be congratulated on their achievements.

Fertiliser has dominated this year's markets with massive increases in price, and subsequent drop in demand, followed by price reductions which angered many farmers. Obviously we have tried to advise based on the best information available at the time but we have experienced unprecedented times which no one accurately predicted. It must not be forgotten that fertiliser is an integral part of food production and still shows a significant return on investment.

Government appears finally to be realising how home produced food from sustainable farmers, who also manage the countryside, is very important. Unfortunately, there is still too much volatility on the price of commodities and relying on world price and market forces is easy to say but far more difficult to work with at farmer level. It is essential some confidence is brought back into the industry to retain the existing farmers and more especially to retain the current generation's successors who are equally bright and able but are being tempted away by the opportunities available to their peers.

Sheep production since the turn of the year has experienced good prices and rebuilt some confidence only to be overshadowed by the extra regulations of electronic tagging. Beef production rallied pre Christmas but has remained relatively flat in 2009 with markets coming under pressure in summer. The threat of imports and perceived resistance from the consumer are currently putting downward pressure on the market despite most forecasters predicting a tightening of supply.

Milk production, while being down considerably in volume terms, has seen price cuts on the back of lower commodity prices and the dominance of the multiples. The sad demise of Dairy Farmers of Britain has sent shock waves through the industry with many loyal producers losing monthly income and capital funds. Direct contracts for a few, which take account of costs, are helpful, but the industry still has too high a percentage of output going to one buyer leaving producers with little room for manoeuvre.

Arable, having had a period of improved prices, has seen prices drop from a sustainable price over £120/T to an unsustainable £85/T for wheat at harvest. The predicted use for ethanol production is near to materialising on Teesside and 2010 should see the plant at Immingham come on stream but oil prices and currency will also have a massive bearing on next year's price alongside the usual parameters.

Currency has worked in our favour during the current year, helping both exports and increasing the amount of money paid in S.F.P. Some have speculated on currency, others may have done better by inaction. Once again this illustrates the multiple influences affecting farm profitability over and above the traditional values of good husbandry.

In conclusion, I would like to thank all the members of the Board for their continued support. John Hamilton, as Managing Director, has continued to increase the profitability of ACT using many strategies to minimise cost and maximise output to produce an outstanding profit which reflects a concerted effort under difficult conditions from all our staff. Once again, thanks to you all.

M D Wallbank
Chairman